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The
**Management
Review**

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Have We Conquered the Business Cycle?

BETWEEN THE peak quarter of the 1953 boom and the low quarter of the 1954 recession, business concerns cut their spending for plant, equipment, and inventories by \$12.9 billion a year. In the same period, the Federal Government reduced its purchases of goods and services by \$14.3 billion a year. Ordinarily such big cuts in investment and government spending would have produced a severe recession. Yet, at the bottom of the recession, consumption was running \$4 billion a year higher than at the peak of the boom. And the total output of the country fell only \$14.4 billion a year—about half of the total drop in business investment and in the Federal Government's buying of goods.

Why did the economy show such strong resistance to influences which might have produced a disastrous depression? Are fundamental changes occurring in the economy? Is the business cycle, the most important defect in capitalism, being conquered at long last?

There is no doubt that luck had much to do with the mildness of the 1954 recession. At the time it occurred, the principal countries of Europe were experiencing a boom; there was a large volume of unfilled orders; and consumer credit had not been pushed so high that the recession converted it into a deflationary influence. But these factors are hardly sufficient to explain the extraordinary resistance

of the American economy to the large cuts in business investment and federal spending. The explanation must be found in large part within the economy itself—in economic policies, institutions, and practices that greatly increase the stability of the economy.

The changes that are making the economy more stable fall into three principal groups:

1. *Banking and credit practices.* It has been usual in business recessions for banks to curtail their lending and for the quantity of money in the community to drop. In the recession of 1954 this did not happen. Commercial banks expanded their loans and investments by over \$8 billion between the middle of 1953 and the middle of 1954, and there was an increase in the same period of more than \$1 billion in demand deposits and of about \$5 billion in time deposits.

These favorable results are often attributed to the actions of the Federal Reserve System in making credit easy. But the banks would not have been able to increase their lending had good credit risks not been available and had a demand for funds not been there.

The availability of good credit risks was due to a variety of influences. One of the most important was the unusual liquidity of both individuals and business enterprises. Another was the willingness of the Federal Govern-

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ment to insure or guarantee a large part of certain types of real-estate loans. Still another was the improvement in the job security of a large part of the labor force. The growth in the proportion of professional, managerial, clerical, and skilled workers, and the increased security of employment of millions of high-seniority industrial workers, have greatly added to the number of good credit risks for loans to finance the purchase of homes and durable consumer goods.

2. *The planning policies of business.* Advances in the art of management and in the growth of technical research are introducing important changes in the planning of the investment programs of business concerns. The essence of these changes is the growing tendency to introduce new processes or new products and improvements in processes and products regardless of business conditions—that is, the growing emphasis upon basing investment expenditures on long-range plans.

The growth in long-range investment planning is revealed by the McGraw-Hill surveys of business plans for spending on plant and equipment. In 1954, 91 per cent of the companies participating in the survey were able to estimate their capital spending for the next four years, compared with 81 per cent in 1953 and 64 per cent in 1952.

3. *Spending for consumption.* The increase of \$4 billion a year in spending for consumption between the peak of the boom and the bottom of the recession which was so important in limiting the recession is attributable, first, to the maintenance of personal

incomes despite a drop in employment; second, to the modest cuts in the personal income tax; and third, to the sense of security enjoyed by most managerial, technical, clerical, and high-seniority workers. This made them willing to cut their saving moderately to raise their standard of current consumption. Thus, despite the rise in personal incomes after taxes, personal savings dropped by \$1.2 billion a year between the peak of the boom and the bottom of the recession.

Are the policies and conditions that helped keep the recession mild in 1954 simply temporary or are they a permanent part of the economy? There is no doubt, I think, that they are permanent.

Business enterprises have learned the desirability of being liquid, and as long as the Federal Government retains a large short-term debt, as it undoubtedly will, they will be able to remain liquid without too much loss of income. Among individuals, good credit risks will continue to grow in number as per capita incomes rise and as technological changes continue to increase the proportion of professional, technical, and skilled workers in the labor force.

The demand for credit in future periods of recession is bound to be sustained by the persistent expansion of engineering development and technological research and by their growing competitiveness. Companies will find it steadily more hazardous to postpone putting into effect engineering and technical changes simply because business is temporarily dropping.

Can consumption in future recessions be expected to show as strong

a tendency to rise as it did during the recession of 1954? Though consumers can hardly count on the well-timed tax cuts that they enjoyed at the beginning of 1954, liberalization of unemployment compensation and pensions, which is bound to come, will provide more adequate offsets to drops in wage and salary disbursements, and business will gain more stable markets.

Impressive as is the progress already made, much remains to be done before the business cycle is conquered. In addition to broadening and liberalizing the social security system, three other important steps are needed: Business concerns need to improve greatly their handling of inventories; firm public support needs to be created

for flexible credit policies; and fiscal policy needs to be developed into an instrument for business stability.

Perhaps the business cycle will never be completely eliminated, but it would be tragic if men were to adopt a defeatist attitude toward conquering it. One can scarcely expect production to increase by the same amount each year, because conditions will always be more favorable for expansion at some times than at others. Nevertheless, some growth in total production almost every year is an attainable ideal. Cannot the people be persuaded to insist that the policies required to transform this ideal into reality be carefully and faithfully followed?

—SUMNER H. SLICHTER. *The Atlantic Monthly*, May, 1955, p. 51:5.

Executive Trappings: Who Rates the Rugs and When

IN THE hierarchy of U. S. business, a big problem is the question of executive prerogatives. Who eats in the executive dining room? Who gets the best offices? And when does a man rise high enough to rate a rug on his floor? The scramble for the perquisites of rank is the butt of a thousand jokes and often leads to ludicrous situations. But to corporations themselves, the scramble is no joke.

In many companies executives continuously play the game of "one-upmanship," the gentle art of being a jump ahead of colleagues in acquiring everything from better ashtrays

to air conditioners. In general, the president and board chairman, who get the best of everything anyway, are rarely involved; the struggle takes place among the vice presidents, and below. A few years ago, a Dallas company set up a new subsidiary with five brand-new vice presidents installed in identical offices. Everything was peaceful until one used his expense account to replace his single-pen set with a two-pen set. Within four days all five worked their way up to three-pen sets. They then went on to bigger and glossier names on their doors, and other changes,

until the president called a halt and broke everyone back to one-pen sets. A big Chicago oil company caused a major crisis a few years ago when it bought a new type of posture chair to test on a few of its executives. Those left out were so miserable that one man, to save face, bought a chair with his own money and smuggled it into the office.

In one Cleveland corporation a vice president was lucky enough to wangle a choice corner office. His equal down the hall would not be appeased until he had a private washroom installed in his office. Some executives spend hours on such things as the "time chart" to prove that they get so many telephone calls and letters that one secretary alone cannot possibly do the job; therefore, they need two secretaries.

Rigid rules are often laid down to try to avoid such problems. A big California company, for example, classifies every employee from Type One (draperies, wall-to-wall carpeting, walnut desk, etc.) down to Type Four (no private office, oak desk). A Manhattan firm has set up a chart for every contingency in preparation for moving into a new building now

under construction. A top-echelon man gets 280 square feet, "furnished to taste," with or without private washroom, depending on whether he is a director. Lesser lights will get 210 square feet, again furnished to taste, but now "within limits." Engineers and others who need privacy get 100 square feet, standard 60" x 30" metal desks, two wooden chairs, and a coat rack; everyone else gets 70 square feet of work space.

Some companies do better by an executive who is out where the public sees him. In many banks, which deal constantly with the public, a line is also drawn between "inside" and "outside" jobs. In one Atlanta bank the officers on view in the main lobby all get \$600 mahogany desks; those behind the scenes have \$300 walnut desks.

In general, the trend is to more instead of less luxury. An increasing number of companies are coming around to the idea that the trappings of power and rank are normal incentives in U.S. business life. If redecorating an office results in higher morale for a top executive, the company counts the few extra dollars as money well spent.

—Time, Vol. LXV, No. 4, p. 80:1.

ALTHOUGH THE U.S. is generally considered an "auto economy," the remarkable fact is that the largest manufacturing employer in the country is not auto but aircraft. Employment in aircraft averaged about 810,000 during 1954. In the same period, employment in auto averaged about 740,000; steel mills, rolling mills, and blast furnaces employed about 580,000; communication equipment about 495,000; and cotton and rayon fabrics about 484,000.

Ninety-five per cent of the production workers in aircraft are unionized, with about two-thirds belonging to the AFL's International Association of Machinists, while most of the remainder belong to the CIO's United Auto Workers.

—Fortune 4/55

Meeting the Challenge of Change

OVERCOMING RESISTANCE to change is one of the most difficult problems confronting any individual or business organization. Yet the application of a few sound psychological principles will enable anyone to capitalize on his long experience, and still welcome new ideas and better ways of doing things, Dean Mitchell Dreese of George Washington University, Washington, D. C., pointed out recently. Here are a few examples:

First, remember that resistance to change creeps up on an individual or organization in subtle ways. If your operations are going too smoothly and you aren't experimenting and taking a few chances, you are probably already on the downward path toward self-complacency.

Second, take advantage of every opportunity to exercise initiative and imagination. Psychological studies show that the "learnability" of the older adult depends on how he exercises his mind throughout his life. The same holds true for the older business organization.

Third, establish a "climate" of desire for new ideas and change by rewarding ingenuity and sound initiative.

Fourth, make increasing use of the team approach instead of relying on one individual's initiative and judgment.

Fifth, don't let vested interests stand in the way of needed change and development. Any organization which permits vested interests to stand in the way of progress has shackled itself and will be unable to forge ahead.

—The Controller 6/55

"Billionaires" on the Decline

THE NEW YORK Stock Exchange's "Billionaire Club"—comprising all the listed domestic companies with annual sales or revenues of \$1 billion or more—had a net loss of three members last year.

Although two new companies were admitted, five dropped out, reducing the membership to 26. The newcomers were Boeing Airplane Company with gross revenue of \$1,033 million and Sinclair Oil Corporation with \$1,021 million. The five who dropped out were International Harvester Company, Republic Steel Corporation, Pennsylvania Railroad, Firestone Tire and Rubber Company, and Union Carbide & Carbon Corporation.

General Motors Corporation continued in first place with sales topping \$9.8 billion. There was no change in the relative positions of ranking second, third, and fourth place firms: Standard Oil (New Jersey), American Telephone and Telegraph, and U.S. Steel Corporation.

—Commerce 6/55

GOVERNMENT RECORDS would fill a file drawer extending from the Pentagon to the Kremlin (almost 5,000 miles), according to a Hoover Commission report. The annual maintenance cost is \$130,000 per mile. This may be because the Federal Government designates 26 per cent of all its records as permanent.

Are "Proxy Fights" Symptomatic?

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THE STRUGGLE for corporate control is an historic one. Equally historic is the prime weapon of this struggle, the proxy solicitation. In this light, the recent well-publicized Montgomery Ward, New York Central, and New Haven cases would appear to be little more than noisy examples of a familiar pattern—a pattern of primary importance only to the company and individuals directly involved. However, the total impact of these recent proxy fights, when coupled with the current interest in analyzing the function of the modern corporation in society, raises a number of nagging questions. Is 1955, as one writer has put it, the year of the "stockholders' revolution"? If so, what are the implications for management behind the actual proxy battle itself? Should the board of directors take another look at its function in the corporate structure?

Some fresh thinking is needed to answer these questions adequately. The reason lies in certain dilemmas inherent in the task faced by every board of directors, whatever the size of the company involved. A review of the basic functions of management will show why this is true.

WHAT "CONTROL" IMPLIES

Management is concerned with policy formulation and execution. The management man plans, organizes,

and executes; and then follows this execution up with a control process, to insure that execution is in line with original plans.

To be effective, control must be based on objective facts, whether these facts are favorable or adverse. There is, in effect, an "audit" step within the process of control. Often it is thought advisable to have this audit function of control performed by a second person so that the original formulator of the policy is not put in the position of judging or auditing his own work. In many companies, for example, the division controller has the express (or, more frequently, the implied) responsibility of independently auditing and reporting on the results of the policies established by the division manager and other line officials. Some companies have raised this concept one step higher in the structure by the device of having the corporation controller report in some measure directly to the board, auditing the policy administration of the president. In fact, it may be said that in every company such an implied audit is present at all levels of the organization up to and including that of the chief executive.

But who performs such an audit function for the board of directors? Here lies one of the fundamental dilemmas of the board, the solution of

which might go far toward quieting the so-called "stockholders' revolution."

Every board of directors executes, in varying proportions, two inherent functions. First, the board is the chief administrative agency, carrying through policy formulation and execution "at the summit." In this area, the board acts in a line capacity. Second, every board has a responsibility for assessing and evaluating—a trusteeship function. Again, this latter function involves responsibility for control; and once more the basic element of an "audit" is involved. But who audits? In the final analysis, the board itself.

In answer to this question, it can be pointed out that all corporations are required to submit to the stockholders and others a wide variety of operating reports required by the corporate charter, state law, SEC regulations, exchange requirements, etc. Typically, these reports are audited by independent accounting firms, and represent the "objective facts."

This, however, is an inadequate audit. In the recent proxy battles it was not the empirical results as such that were in issue, but the quality of management decision-making that led to the results. Every stockholder had available the full set of audited operating statistics, but each stockholder had to depend upon the statements of the parties involved as to the quality of these results. And who spoke for the board? The board itself.

Can and should anything be done about this? If we allow certain assumptions, the answer to both of these questions might well be "yes."

First, the evolving position of the

corporation (particularly the large corporation) in society appears to point toward an increasing emphasis on the quasi-public aspects of the corporation. The diverse groups that are affected in varying degree by the actions of the corporation—the stockholders, the vendor, the employees, the community, etc.—make increasingly necessary the delicate balancing of conflicting pressures. The need grows, as Adolph A. Berle, Jr., has put it, for a "corporate conscience." While present-day boards of directors have done a most remarkable job in reconciling these conflicts, they have at the same time been put in the dubious position of being their own judge as to whether they have met the needs of the many groups involved.

Where, then, might this check or audit be located to provide an independent review? Unfortunately, an increasingly frequent reaction to this comes from those who would propose greater governmental intervention—intervention that would go beyond the present reporting and fact-finding requirements into actual evaluation. This would appear to be not only highly disturbing to management but actually incompatible with the concept of a free economy. Nevertheless, if current rumblings in Congress and in state legislative halls are to be taken seriously, corporate inaction in this area might well allow such a step to be taken by default.

SOME POSSIBLE APPROACHES

What action might management itself take to preclude such a possibility? Three suggestions will be advanced here as starting-points for further thinking.

First, to the extent that "outside" directors are utilized, the onus of vested interest can be mitigated. Certainly this is no panacea, since the lack of personal interest and intimate knowledge of the firm may outweigh the potential objectivity of the outside director. The inside director does operate from a personal frame of reference, but this very interest can be (and typically is) a source of great strength for the company. On balance, however, the role of the outside director promises to become increasingly important in the composition of future boards.

A proposal made by Beardsley Ruml in an address before the third Annual Conference on the Social Meaning of Legal Concepts conducted by the New York University School of Law would carry this idea a bit farther. Mr. Ruml's idea was this:

As a first step, one director be elected or re-elected and he be asked to act as "trustee" for one of the three parties at interest, other than the stockholders. Such a director-trustee might be assigned the interests of either the customers, or the vendors, or the employees, depending on the nature of the company's business. He would be the nominee of the management and of the existing Board of Directors and would be elected in the usual way by the owners of the company, the stockholders. During the experimental period of whatever length, no public announcement would need to be made that such a policy had been adopted.

In a formal sense little is changed, but an important difference would occur in the deliberations of the Board. Let us suppose that this first director-trustee had been asked to act for the customers of the company. Although he owes his nomination to his fellow directors, and his election to the stockholders, nevertheless he has accepted a trusteeship—a trusteeship which has been created voluntarily by those choosing him so to act as trustee. Now as he sits on the Board, the interests of the customers of the company are his single

interest. It is his duty to know what these interests are and to see to it that they are considered when matters affecting them are decided upon. Such a director-trustee should be chosen for his ability to make another's case his own. The one limitation that should be observed is that there should be no conflict of interest in the individual director himself; for example, a stockholder should not be chosen as trustee for the interest of customers.

The director-trustee should have time to work on his job and to think about it. His duties would not require his full time, but they would involve more application of effort than does the conventional directorship. Such a director should be properly compensated for the service he performs.

If the first director-trustee works out usefully, the next step would be a director-trustee for each of the other interests—all depending on the nature of the company and whether the groups are important enough in the particular case to warrant specialized consideration. In this way, three of the four parties at interest will have someone designated to speak for them. Presumably the stockholders, the fourth party, will be the concern of the remaining directors. But to make sure that equally thoughtful attention will be given to all the stockholders, one director should be explicitly charged with responsibility for all ownership interests and be paid for taking the time required in doing so.

The Board of Directors would then consist of four paid director-trustees, the chairman and the president, and such other officers and directors as the needs and traditions of the company dictated. Under such a directing Board, the interests of the governed will be at least represented and the actions of the company's administrative officers will take place in a frame of reference where the interests of all will have been heard.

The four director-trustees would sit, not as "representatives" of the interest for which they speak, but as designees of their fellow directors to give particular attention to their trustee assignments. Since in any case these four special directors would be interested, even from the standpoint of their special interest, in the growth and prosperity of the corporation, and would

be individually and collectively only a minority of the Board as a whole, it seems improbable that the divisive interest thus deliberately built into the Board at a low level of power but at a high level of articulate responsibility would be harmful in any way to a clear-cut and effective corporate program.

A third suggestion is the use of a formal evaluation or audit committee at the board level. The members of this committee would carry full board status, including voting rights, and would be nominated and elected in the prescribed manner set for other directors. The only prerequisite beyond those applicable to regular directors' election would be the requirement that the audit committee member have no direct ties to the corporation. The total membership of the audit committee could vary between corporations but would never be a majority of the total board. Up to this point the situation is similar to that of many boards today.

However, this audit committee would carry through one unique new responsibility. Periodically (at least once a year) the audit committee, acting now as a separate entity from the board, would be given the responsibility of submitting a corporate evaluation *directly to the stockholders*. This report would not duplicate or replace the regular yearly financial

audit; rather, it would go beyond the financial concept of an audit by analyzing management's results *qualitatively*. The committee would have no authority to overturn line board action—this would be left to the stockholder. But the presence of the audit would tend to exert an invigorating influence on the regular board, while at the same time freeing the board from being solely its own judge. Regular board operation would continue as at present. The majority of the board could more completely represent the stockholder; the minority (the audit committee members) could voice their points of view, thus broadening the perspective of the total board's decisions; but in the background would be the need to consider the subsequent audit report.

What would be the composition of the evaluation report itself? What tenure policy might be adopted for members of the evaluation committee? What personal forces would be set in motion between the inside and outside directors? These are all fundamental questions that would have to be answered before the concept could be considered realistic. However, the basic need remains, and solution of the problem may well require the use of such unexplored techniques.

Manufacturing Costs—Here and Abroad

A SUBSTANTIAL number of products can now be manufactured in the United Kingdom and Germany at only half the cost of producing them in the United States. Manufacturing costs generally of a large variety of goods in many parts of the world are definitely below those of the United States, according to a study of the factors affecting convertibility and foreign trade recently completed by the National Industrial Conference Board.

The cost advantage enjoyed by foreign competitors is, however, not

universal, the study shows. In some countries—France, for example—available data show costs to be higher than in the United States.

Low labor costs were found to be the most important factor in lower over-all manufacturing costs abroad. As compared with the U.S., lower labor costs were often able to overcome higher raw-materials costs and the smaller degree of mechanization abroad. In some cases, the use of American tooling and production methods abroad did not result in lower costs because of the limited market and consequent small production volume.

Despite the major role of the U.S. in world trade, the importance of our foreign trade to our total production is relatively small, the Conference Board points out. U.S. current accounts credits (income earned from abroad as a result of commodity exports, freight charges, income from overseas investments, etc.) amounted in 1953 to only 5.8 per cent of gross national product, the lowest percentage for the 11 major industrial nations studied.

—The Controller 5/55

Automation Down on the Farm

LIKE U.S. business men, the nation's farmers have turned to automation. As a result, the U. S. farm-machinery industry is heading for the greatest boom in its history.

Automation on the farm is not a new idea. The big push has come in the past 15 years, mothered by wartime necessity when the demands for food were huge and the shortage of manpower crippling. In the 1850's, about 80 per cent of the U.S. population lived on farms; today, the figure is only 13.5 per cent. Some 2 million U.S. farmers have migrated away from the land since 1946 alone. As a result, U.S. farmers have been forced to turn to machines with which one man can do the job of a dozen and do it faster and better.

Since 1940, the number of tractors on U.S. farms has tripled to 4½ million. Combines jumped 400 per cent, to 950,000; corn pickers 500 per cent, to 640,000; forage harvesters 100 per cent, to 170,000; hay balers 100 per cent, to 393,000; and milking machines shot up from 212,000 to close to 800,000. All told, U.S. farmers, who had \$3.2 billion invested in machines in 1940, have poured \$18.7 billion into their barnyard automation, are adding millions more each month. As a result, each farmer grows enough to feed himself and 17 others, as against 10 others 20 years ago.

Few farm jobs have defeated mechanization. Peanuts and sugar cane are now mechanically harvested; there is even a machine to pull, top, and load sugar beets. Some 60 per cent of the plow market has shifted from two-bottom to three-bottom plows, which plow three furrows at a clip. Before World War II, a two-row cultivator was considered big; now the large size is four-row.

Still other new machines are in the works, and the farm machinery industry expects the boom to go on and on. Replacement sales will be enormous. On tractors alone, replacements average 10 per cent of total sales each year, and by 1960 will hit 450,000 units annually.

—Time 7/4/55

How to Make a Million

MILLIONAIRES come in all shapes and sizes. There are the little ones who, perhaps after almost a lifetime of labor, have just barely managed to amass a million dollars worth of property, stocks and bonds, and cash. Then there are those with net assets of five to 10 million. Finally, there are those with an annual income above a million.

The million-a-year group now numbers just 148, according to a report just published by the Internal Revenue Service—and it's getting smaller all the time. In 1950 there were 219 in the million-a-year class, and back in 1929 before Wall Street's graphs went through the floor there were 513.

The present situation, however, is not quite so alarming as it might appear on the surface, according to financiers, investment counselors, and tax specialists. A fellow with energy, imagination, and luck can still scrape together a modest million or so in the course of a lifetime if he knows the ground rules and takes advantage of them.

Financial experts do not see eye to eye on many things these days, but they do agree generally on these three points:

Point 1. *It is harder to make a million now than it was 40 or 50 years ago.*

Statistical support for this observation is provided in a study just completed by the Tax Foundation, a private, non-profit research organization. It is a hypothetical case history of

two men going into the same kind of business, with the same capital (\$150,000), and the same rate of return (33 1/3 per cent), at two different periods. Mr. A started in 1920, Mr. B in 1955. After the first year their books looked like this:

	Mr. A	Mr. B
Original Investment	\$150,000	\$150,000
Return on Investment ..	50,000	50,000
Net Income (after 10 per cent deduction for expenses)	45,000	45,000
Federal Taxes	7,680	16,648
Income After Taxes	37,320	28,352
Living Expenses	15,000	24,000
Profit Reinvested	22,320	4,352
Added to Original Investment Makes	172,320	154,352

At this rate, Mr. A, the 1920 man, would have run up his original stake to \$1 million in just 11 years. But Mr. B, the 1955 man, would have found that at the end of 11 years he had increased his investment to only \$239,933. It would have taken him 34 years altogether, taxes and living costs being what they are, to make his million.

Point 2. *Chances are strongly against anybody's making a million in his lifetime by depending on salary alone.* According to the Internal Revenue report on the 148 million-a-year men and women, salaries accounted for less than 2 per cent of their total incomes. They got almost half their money from dividends and another quarter from the sale of assets at a profit.

Point 3. A person's best bet for making a million is to take advantage of some of the "gimmicks" that are available.

There are dozens of these "gimmicks," but here are three that the experts say have been responsible for making many of the "new" millionaires.

Capital Gains Deals. This tax concession, under which assets held for at least six months can be sold and the profits taxed only 25 per cent, was put on the books to induce people to risk their capital. The result has been to give many an enterprising fellow a few dollars he can call his own.

Depletion Allowances. These have been called "capital gains with a Texas twist." Because of the risks involved in drilling for oil—\$100,000 or more to sink a well that often will turn out to be dry—the government allows oil men to pocket 27.5 per cent of their gross income before paying a cent of taxes. They can continue these deductions for the life of their oil

wells and can also write off large sums as "intangible development" costs.

Stock Option Plans. The story is told of a board meeting at which the president of a large corporation was being badgered about a poor performance in one of the company's divisions. Someone suggested that the vice president in charge of the division be called on the carpet. "Hell," said the president, "I can't chew that guy out. He became a millionaire last week." During the past five or six years of the bull market, dozens of vice presidents have become millionaires through stock option plans.

These and other "gimmicks" are helping many today to realize the American dream and ambition of "making a million." Even if they are just plain, garden-variety millionaires and not the supermillionaires of yesterday, they can perhaps take some consolation from old John Jacob Astor, who used to say: "A man who has a million dollars is as well off as if he were rich."

—JOSEPH NOLAN. *The New York Times Magazine*, July 10, 1955, p. 13:2.

Aid to Education: Business Raises Its Sights

CORPORATION contributions to colleges and universities have increased greatly in the past few years. The character of the gifts has been changing, too.

Less has gone to local institutions, or for research and training that return direct benefits to the donor company. More has been given with broad social aims—for the general support

of educational institutions, for the aid of liberal arts schools, for the maintenance of America's dual system of higher education: private universities and colleges alongside tax-supported institutions.

The increase in industrial gifts has come opportunely. Not only have rising costs thrown many private colleges and universities into the red, but

a greatly increased crop of students will confront the schools in the next 15 years. Both the number and the proportion of youths 18 to 21 who attend college are constantly increasing.

The need of the institutions has become so great, and the problems involved in corporate contributions so complex, that more than 50 executives of the nation's biggest corporations met recently to discuss the situation, at the call of the Columbia University Graduate School of Business and the Council for Financial Aid to Education.

They reported almost universal conviction that business and industry should exercise "corporate citizenship" in the liberal support of education. Stockholder objections were reported to be almost non-existent.

Corporations gave about \$70 million to educational institutions in the academic year 1953-1954, it was stated; they will be called upon for a substantial part of the \$5.5 billion these schools will need in the next 10 years.

Surveys conducted by the Council among 367 corporations and 753 colleges, universities, and professional and technological schools show that the dollar amount of corporate contributions to all health, welfare, religious, educational, and similar causes increased from \$30 million in 1936 to \$399 million (estimated) in 1952. The 1953 figures from 367 companies showed gifts ranging from 2.87 per cent of net taxable income for small concerns to 1.41 per cent for the largest. Gifts for education alone ranged from .66 per cent to .36 per cent.

Many corporations prefer to support higher education through pool funds like the United Negro College

Fund (mentioned by 63.5 per cent of the respondents); the National Fund for Medical Education (49.5 per cent); and state and regional college funds (40.5 per cent).

Companies more often aid private institutions, less often those which receive tax support. In general, the trend is to favor those closest to the company.

Almost all companies make grants for general maintenance; 77 per cent of all respondents give money for buildings and 62 per cent for other physical properties; 75 per cent for unrestricted use; 69 per cent for schools and departments; and 30 per cent for endowment and equipment.

Of the same companies, 47 per cent offer "open" scholarships for talented students; 35 per cent give aid for employees; 35 per cent award scholarships for employees' children; 52 per cent grant graduate fellowships.

There is a trend towards establishing foundations to administer contributions. Thirty-six per cent of the Council's respondents now give through such a foundation.

Although grants are becoming less restricted, there is still a wide gap between the kind of money the schools get and the kind they desire. Corporations give in this order: (1) Operating costs, (2) capital funds (for buildings, endowments, etc.), (3) special services, (4) student aid.

The schools, on the other hand, list their preferences in this order: (1) Unrestricted funds, (2) capital funds for building, (3) capital funds for endowment, (4) funds to increase salaries, (5) scholarships, (6) funds for new equipment, (7) graduate fellowships.

Since the cost of educating a student exceeds his tuition, a great increase in scholarships could conceivably bankrupt a college if other funds were not made available, the National Association of Manufacturers points out in a booklet, *Our Colleges and Universities and Their Financial Support*. Some corporations establish supplemental grants of \$400-\$600 a year for each scholarship.

Supplemental grants to provide for graduate fellowships are also suggested. Research grants fall short as an aid

to education, according to the NAM. "Generally speaking," it says, "the administrators of the institution know better how to spend the money than you do."

There are many means for the corporation to give some direction to its grants without unduly restricting them. A contribution to a state or regional college fund, for example, will go primarily to private liberal arts colleges. Or a gift through a specialized fund may channel support to medicine, social sciences, or the like.

—ALFRED G. LARKE. *Dun's Review and Modern Industry*, May, 1955, p. 47:4.

The "Sales Blitz"—New Twist in Sales Meetings

A NEW AND HIGHLY EFFECTIVE idea for making sales meetings pay off immediately in increased sales is the "sales blitz," which brings the company's entire sales force together in one city with the aim of combing the area from top to bottom and leaving no prospective account uncalled on.

Instead of the usual daily total of perhaps 20 calls in the area, the calls may run into the hundreds. The result is not only increased business for that day, but new business for the area as a whole. After the out-of-town salesmen return home, the new business remains to be more thoroughly developed by the local men.

Advance planning is essential for the success of the blitz. The local branch manager must be made responsible for much of the over-all operation. To him falls the job of providing plenty of leads for the salesmen, as well as briefing the meeting on the particular problems in his area.

Ideally, the first day should be spent in preparing for the blitz proper—explaining the operation, distributing maps and prospect lists, and answering questions. On the second day, the salesmen go out on their calls. The final day should be set aside for evaluation. Where only a handful of men are involved, this can be carried out in a single group discussion. Where the sales force is large, evaluation will be more fruitful if the group is split up and divided into small sections.

One company which has used the sales blitz to good effect is the Sheraton Corporation. Its first operation got under way last year in Albany, where 10 sales managers from the chain's other hotels made 795 personal calls, issued over 5,000 credit cards, and lined up 118 leads for new business in five days. The blitz technique worked just as well, if not better, in Washington, where almost 1,500 calls brought in immediate bookings worth \$16,750, plus 250 leads for new business.

—JOSEPH MANUSOV in *Sales Management* 7/1/55

Make or Buy: Reaching a Sound Decision

NO EXECUTIVE has to look very far into his experience to find instances when his company has made things it should have bought, or bought things it should have made. The bill for wrong make-or-buy decisions may well come to hundreds of millions of wasted dollars every year across the country.

What are some of the factors that ought to control make-or-buy decisions? Since the decision to make or to buy is essentially economic, a cost comparison is important, though calculable cost may not always be the governing factor. Actually, many companies reach decisions without frequent cost comparisons.

Making cost comparisons takes time which may not be available. Moreover, prices quoted to you and your inside costs may not always be comparable. And what about quality differences? Obviously, the parts must be right. How complete is your picture of your own costs? Have you included allowances for make-ready time, material handling, spoilage, and overhead mark-up? What will happen if raw materials go up in price? A set of cost comparisons is a snapshot of part of the stream of costs you will experience over the next few years, but not the whole stream.

Sometimes things that have nothing to do with costs force a quick decision on your part. If you have to get 25 parts for your product in a hurry, and you can only tool and "debug" 10 in your own plant, you have to place the rest outside. On the other

hand, if you have a sudden schedule change and your key men have nothing to do, you will want to make everything you can temporarily.

Obviously, make or buy as a \$200 question doesn't justify much study. From \$100,000 a year up, it justifies careful study, and in larger amounts calls for equipment investigation, training, staffing, layout and so on. From \$10,000 to \$50,000 it's frequently a question of your present equipment against that available outside.

Many companies feel that making helps them to tie in their production and inventories better. Sometimes you have to feel your way along on design, and if like an airplane company you have a change of some sort every 100 pieces, you naturally want close supervision.

A somewhat related reason for making is the feeling that your parts are unusually complex and that you may be greater specialists in them than the outside supplier. If you do have some very fussy work and your own employees are in a better position to know just what dimension is a key dimension than an outside supplier, this is an argument for making—though it should not be forgotten that if an outside supplier produces parts that are not to specification, you send them back at his expense, not yours.

Overhead absorption is another factor frequently mentioned, particularly by small plants, as favoring making. The accounting approach of spreading overhead on labor or burden centers is the best we have, but it is not

always the full answer. Where outside and inside costs are close, as they frequently are, it takes wise judgment to decide where the advantage lies. If you keep more people busy making instead of buying, your overhead is obviously going to increase in dollars, but it may well go down expressed as a percentage of direct labor. It is generally helpful to increase direct labor, but if direct labor is being increased because it is not efficient, a company is worse off with a lower percentage of overhead.

There are other reasons for making: Some items are very hard to transport; in some cases you may have confidential processes you prefer to keep in your plant; and some companies produce some of their parts so that they will have a yardstick on the suppliers, protection against strikes, etc.

Of course, there are reasons for buying, too. The most common one, probably, is to get the benefit of an outside specialist's ability. No plant is good at everything, and the outside supplier may well have a wider range of both equipment and experience than the people he sells to. For a half-dozen customers, he may keep certain equipment busy which no one of them could afford. Beyond that, he may make trained engineers and thinking available to you so that you will not

have to have them on your staff. Frequently, he can serve to check your own engineers and production men.

Another common reason for buying is that making may require a company to make a capital investment in space, equipment, or inventory which the supplier would otherwise finance. New investment, of course, should be the best possible use of funds available.

Other reasons are given for buying; one is to even out seasonal demand fluctuations. What if you sell more than you can make? And what about seasonality? Rather than being caught with idle equipment, if there is uncertainty as to how many parts you will need, it is better for this idle equipment to be in a supplier's plant (where he may put it to work for someone else). Quick delivery is another reason for buying. One company duplicates its inside production outside in case anything happens to its producing plant.

Creative purchasing plays a vital part in establishing make-or-buy decisions. Small savings in buying dollars or in making dollars can loom large in relation to your profit margins. Your decision should be based on sound thinking, with purchasing and top management working together for the long-range welfare of your company.

—From an address by CARTER C. HIGGINS (President and General Manager, Worcester Pressed Steel Co.) before the National Association of Purchasing Agents.

INSTEAD OF having its departments compete against each other in accident reduction, the Boston Edison Company has started a safety contest in which each group competes with its own past record. When the contest ends next March, every department that has improved its record by 50 per cent will receive special recognition at a dinner to be given by the company.

—*Industrial Relations News* (Industrial Relations Newsletter, Inc., 230 West 41 Street, New York 36, N. Y.)

Today's Suburbia: New Challenge to Marketers

RETAILING, beyond much doubt, is following its customers to the country. Between 1946 and 1954, department store volume in downtown Manhattan and Brooklyn, according to estimates by the Federal Reserve Bank of New York, dropped 5 per cent—while suburban sales spiraled from 12 per cent to 27 per cent of total metropolitan volume. In the New York area alone, 110 department store suburban branches are now in operation, two-thirds of them built since World War II.

According to the magazine *Chain Store Age*, an estimated 1,000 shopping centers, or strip developments, are now in operation. Another 2,200 are under construction or in the planning stage.

Supermarkets, boosted by the suburban phenomenon, are far outstripping conventional grocery retailing. Last year their sales were up 15 per cent over 1953 contrasted with a 4 per cent rise for all grocery retailing.

If people are changing where they buy, are they also changing *what* they buy? Suburbia puts strong pressure on its members for conformity. What is proper in the city may, or may not, be proper in the new community. So far, mass marketers have done little to isolate and exploit this trend.

Suburbia also has different needs from urban living, and these have already been sufficiently compelling to make strong statistical showings. Power lawnmowers, a near-necessity for many suburbanites, sold at the rate of 35,000 a year in the late

1930's. By 1947, the last year for which figures are available, power lawnmowers were selling at a 250,000-a-year clip.

Suburban needs and fads, once overshadowed by the big city's mass consumption, are beginning to dominate in many lines and actually set styles for urbanites. Among these booming products are do-it-yourself's omnipotent adjunct, the 1/4-inch drill; backyard cooking utensils; lawn and porch furniture; home freezers; garden tractors; and casual clothing (denim sales, for example, increased 229 per cent between 1950 and 1954).

Suburbia is also offering its challenge to package-goods makers. While prewar experience showed a growing trend toward smaller-size packages at lower unit cost, the suburban revolution has completely reversed this. The suburbanite can no longer depend on a neighborhood delicatessen. He has to plan his purchases so he won't run out, and he has the space to store quantity purchases. As a result, big sizes have increased their share of the market by nearly 50 per cent since 1951.

For marketers, the move to suburbia is in some respects deceptive. Business is better for all product lines in suburbia today than it was, say, 10 years ago. But different product lines have been moving to the country at different rates of speed. A study done for the Urban Land Institute indicates that shoppers, while they tend to use shopping centers for convenience

items, still save the big-ticket purchases—particularly where style is a factor—for downtown buying.

Despite elaborate statistical studies, retailers have consistently underestimated the pull of their suburban branches. Even Detroit's Northland, one of the biggest and best planned of the shopping centers, is finding itself engulfed by customers. The center, in its first year of business, exceeded estimates by 50 per cent.

Fortune magazine estimates the number of suburbanites at 18 million in 1940; 21 million in 1947; 37 million by 1953. Higher income to more people makes mass suburban living possible. While the average family income grew only 23.7 per cent from 1944 to 1953, the number of families with incomes from \$5,000 to \$10,000 increased 181.7 per cent; and the number with \$10,000 to \$15,000 is

up by 221.5 per cent. Furthermore, the medium suburban family income is \$5,100, compared with \$3,600 for the rest of the metropolitan area and \$2,500 for the rest of the U.S. The suburbs boast 75 per cent home ownership, as against 41 per cent for the rest of the metropolitan area and 60 per cent for the rest of the U.S. The suburbs house 27 per cent of all children 14 years old and under, compared with 21.5 per cent for the rest of the metropolitan area and 28.2 per cent for the rest of the U.S.

If retailers have underestimated the suburban trend, other marketers could almost be accused of ignoring it. It's true that suburbia doesn't stand out clearly from census data, varies from city to city, and can't even be defined with any precision. Yet it is, or will become, America's true mass market for goods and services.

—*Tide*, June 18, 1955, p. 19:3.

Establishing Sound Sales Incentives: One Company's Program

SIX carefully planned steps led to a successful sales incentive plan at the Dayton Pump and Manufacturing Co., Dayton, Ohio. The plan has been in effect about a year, and we are convinced that our approach has been fundamentally sound.

Rather than build the framework of a new plan on the shaky foundation of an old one, we decided to start from scratch. The six basic steps of the program were worked out as follows: (1) Sales division analysis or organiza-

tion; (2) job descriptions for members of the sales department and for the sales representatives; (3) a job evaluation plan; (4) a merit rating plan; (5) a forecasting plan for setting up sales quotas; (6) the incentive plan.

The sales division analysis included an organization chart defining the sales division's lines of authority and responsibility. This chart was prepared to meet current and foreseeable requirements of the company. While

personnel may—and undoubtedly will—increase to meet demands, functions will remain the same unless there are drastic changes in sales policies or products. However, this plan makes no effort to shackle or regiment activities. The intent is to facilitate decisions and actions by clear-cut lines of authority.

Job descriptions insured proper functioning of the entire sales organization. These were set up for each job in the division, including that of general sales manager, field sales manager, regional sales manager, sales manager, sales office manager, advertising and promotion manager, service manager, training manager and, of course, sales representatives.

Job evaluation was installed to cover all sales division jobs. We use the point system of evaluation, based on eight factors of skill, effort and responsibility: education, job knowledge, judgment, mental application, and responsibility for company policy, money and materials, confidential data, and supervision of others.

Points for each degree of these eight factors were assigned; from these factors, the number of total points required for the various jobs in the sales division were specified. These points, in turn, determined the salary range for each job. Each salary range has a starting rate and three subsequent steps to a maximum rate for the range. The maximum rate is, in all cases, one-third higher than the starting rate. When content or requirements of any of the evaluated jobs change, evaluation factors must be reviewed to determine whether the point value places that job in a different salary range.

Our merit rating plan is applied only to sales representatives. The factors used are divided into three categories for differentiation: selling, merchandising, and servicing; detail work; and personality.

Because of various unknown factors, it is not always possible to arrive at accurate forecasts of the development of new territories. However, from available statistics, an analysis was made to determine an approximate rate of sales. A graph based on a territory's age and average dollar volume per account per quarter was set up. On this graph, for purposes of comparison, are charted the total sales made by sales representatives during the first 14 months in their territories.

Only after all the preceding steps had been followed through were incentives installed. Here is how our plan operates:

To those qualifying, a quarterly incentive payment is made by separate check on the 15th of the month following the end of each quarter. The basis for these quarterly incentive payments is 50 cents per \$1,000 of total net sales, to be paid for each 5 per cent increase in total net sales over the established quota. The quota (total of all product lines) is considered as being 100 per cent. Incentive is paid for exceeding the quota for the quarter according to the following scale:

<u>Percentage of quota</u>	<u>Quarterly incentive</u>
100.1 to 105%	\$0.50 /M
105.1 to 110%	1.00 /M
110.1 to 115%	1.50 /M
115.1 to 120%	2.00 /M
120.1 to 125%	2.50 /M
125.1 and up	3.00 /M

Using the above table, here is an example:

Assume territory quota for quarter is \$126,000 (100 per cent), and territory sales for quarter are \$150,000 (119 per cent). The quarterly incentive for 119 per cent is \$2 per thousand; therefore, \$2/M times \$150,000 (total sales) equals \$300, the amount of the incentive for the quarter.

Besides this incentive plan, there is an additional incentive for exceeding quota on each product line: 25 cents per \$1,000 in each case where 100 per cent of quota is reached on all product lines.

We plan to add additional incentive

factors later, such as number of accounts sold and dollar volume per account. This part of the plan is now under study to determine how such incentives may be applied.

There is, of course, no such thing as the perfect sales incentive plan. Any plan is bound to have "bugs" in it that are not apparent on paper and can only be discovered after the plan is in operation. It is a wise management that understands this and makes allowances for future changes in the program. This is the strength of the Dayton Pump plan.

—LOUIS WOZAR. *Sales Management*, May 20, 1955, p. 78:3.

Why Sales Managers Get Grey

WHAT ARE a sales manager's most common headaches? A recent survey conducted by Charles L. Lapp, Professor of Marketing at Washington University, among 80 sales managers in the St. Louis area, produced the following list:

1. Recruiting men with enough potential.
2. Keeping salesmen informed on new items, new product applications, and price changes.
3. Training salesmen rapidly and effectively.
4. Handling salesmen's complaints concerning competition, promotion, and advertising support.
5. Setting up a satisfactory compensation plan.
6. Planning for wider sales distribution.
7. Getting salesmen to cover their territories properly.
8. Keeping salesmen motivated.
9. Getting salesmen to do a sufficient amount of suggestion selling.
10. Coordinating sales promotion with personal selling.
11. Controlling expenses.
12. Getting salesmen to follow through on buyers' requests.

THE RECORD-KEEPING FIELD is "the fastest-growing province of employment," reports Stanley C. Allyn, president of the National Cash Register Company. As compared with 11 clerks for every 100 employed persons in 1940, there are today almost 16 for every 100, according to Mr. Allyn. The annual bill for clerical work is estimated at \$25 billion.

Special Feature

Do You Know How to Listen?

LYDIA STRONG

*The problem is not one of getting men to talk.
The problem is one of getting leaders to listen.*

—CARL F. BRAUN, *Management and Leadership*

"**S**O YOU'RE doing a study on how to listen?" said an executive we interviewed. "That's a great project, really interesting and worth while. I've done a lot of thinking about listening. Let me give you some of my ideas."

And he proceeded in rapid-fire fashion to describe how he gets *other people* to listen to him!

Our friend mistook the topic because his mind shied away from the very thought of listening. His feelings were extreme, but not really unusual. Most of us do tend to fidget while the other fellow has the floor. If the subject is boring we drift away to our own affairs. If it interests us, we concentrate on what we're going to say as soon as we can get a word in edgewise.

All these competing ideas block understanding. Repeated tests by university researchers have shown that the average person, even while trying to listen, takes in only half of what he hears.

Most executives and supervisors spend the major part of each work-day

trying to communicate with others. About half that time is spent in listening. Therefore this failure in understanding causes tremendous loss of time and opportunity. Half-listening is like racing your engine with the gears in neutral. You use gasoline but you get nowhere.

Fortunately, listening can be learned. Few accomplishments pay higher dividends in efficiency, productivity, and personal satisfaction.

Success in management hinges on ability at problem-solving. Most problems must be solved with people—quite often, people who have highly individual points of view. And in working with people, no tool rivals skilled and sympathetic listening.

Suppose you're to interview a subordinate on a proposed change in procedure which would require his full cooperation. You're for it, in fact it's your idea, and you already know that he's opposed. If you have learned how to listen, you admit to yourself from the start that Pete may—just

NOTE: This article will form a chapter of a supervisory handbook on interpersonal communication which AMA will issue in the early fall.

may—have good reasons for his opposition. Also that you can't know these reasons fully, no matter what you've heard on the grapevine, until he has explained them to you.

After stating the proposed change, you ask Pete to comment. As he speaks, you listen closely and sympathetically. The first result you may notice is that your attention warms Pete, puts him at ease, lessens his (and your) aggressiveness. Because we all perform better when we feel at ease, he'll open up, explain himself more ably than he could to a hostile listener. Instead of concentrating on your rebuttal, you take in his objections and try to judge their relevance. You try also to sense from his tone, from what he says and leaves unsaid, how he feels about the change. You may find, of course, that he's been suffering from some misconception.

After speaking his mind, Pete feels more free to listen to your point of view—which in turn may have been modified by his statement. Sooner than you expected, you and Pete may find yourselves reaching a cordial consensus instead of a hard-fought compromise.

Will this happen every time? No, but it happens often enough to make listening worth while.

LEADERSHIP AND LISTENING SKILL

Father Theodore V. Purcell of Loyola University, who conducted an 18-month study of employee attitudes at Swift and Company, reported recently in the *Harvard Business Review*:

"Of all the sources of information a foreman has by which he can come to know and accurately 'size up' the personalities of the people in his de-

partment, listening to the individual employee is the most important."

Swift Company workers said of successful foremen, in interview after interview: "He listens," or "I can talk to him." A disgusted worker said of another foreman: "He knows it all. And he don't know nothing! 'Why don't you tell me?' says he. But if I try to, he won't let me tell him."

The exhortation to listen is of course not new. Right down the centuries, from the Old Testament's "They have ears but hear not" through Dale Carnegie's promises of fame, fortune, and finance to the willing listener, we've been urged, cajoled, and coerced to unplug our ears. We've remained poor listeners.

What is new is the growing realization that listening is not just an in-born virtue, but a definite skill that can be learned. Controlled experiments have shown that discussion and practice can produce dramatic results. In St. Paul, Minn., one group of business and professional people, guided by Dr. Ralph G. Nichols of the University of Minnesota, more than doubled their comprehension of the spoken word.

INGREDIENTS OF SUCCESSFUL LISTENING

A few basic principles have been discovered. Of these, perhaps the most essential is that listening is an active process. Figuratively or literally, too many of us "sit back and listen." This attitude may work well for music, but we need to "sit up and listen" when we're trying to take part in communication. A good listener's mind is alert; his face and posture usually reflect this fact. He may further show his interest by questions and comments

which encourage the speaker to express his ideas fully. If you've ever tried—as who hasn't?—to talk with a poker-faced, bored, silent listener you can readily appreciate the difference.

Another essential is to develop ability at four different levels of listening skill. The first level is to make sense out of sound: that is, to distinguish the speaker's words. The second is to understand what he is saying.

Neither of these skills is quite as simple as it sounds. Spoken words can be mumbled—and jumbled. And the same word may have quite different meanings to different hearers. This is not surprising when you realize that the 500 most commonly used words in English have 14,070 dictionary meanings!

In *The Second World War*, Winston Churchill tells of a long argument that developed in a meeting of the British and American Chiefs of Staff Committee. The British brought in a memo on an important point and proposed to "table" it—which to them meant to discuss it right away. The Americans protested that the matter must not be tabled, and the debate grew quite hot before the participants realized they all wanted the same thing.

Or connotations can shade a word's original meaning. To an executive, the word "efficiency" probably connotes increased results from the same expenditure of energy. To a worker it may mean pay raise or pay cut, layoff or promotion, depending on his own, his family's, and his friends' experiences.

The third level of listening is to tell fact from fancy—in other words, to evaluate a statement. The fourth, and highest, is to listen with imaginative understanding of the other person's

point of view. Psychologists call this listening with empathy. It's an essential skill in supervision. But it takes courage to listen with empathy. As psychologist Carl R. Rogers has explained: "If you really understand another person . . . enter his private world and see the way life appears to him . . . you run the risk of being changed yourself. You might see it his way; you might find yourself influenced in your attitudes or your personality."

"LISTENING" WITHOUT HEARING

To stave off this frightening prospect we erect barriers to understanding.

One such barrier is listening intellectually, for the verbal statement alone. We all know better; for if only words mattered, why bother to hold interviews or conferences? Why not do all the work with memos? The answer, of course, is that industry continues to use time-consuming face-to-face communication because nothing else will take its place. The speaker's tone, gesture, posture, and facial expression may reinforce, amplify, or even contradict his verbal statement. Listening without observing is like getting the words of a song without the music.

Bias is a second barrier to communication. It takes many forms. We may decide just from looking at a speaker or listening to his voice that he has nothing to contribute. This could be true, of course, but it is exceedingly unlikely. External factors like the shape of a person's nose, the curl of his lip, the cut of his clothes, or the pitch of his voice may be quite beyond his control. At all events they're not likely to tell us much about the worth of what he has to say.

Or some word, phrase, or idea may so cut across our prejudices that we just stop listening. The speaker says: "We've got to stop making widgets . . ." This is a sore point with you, this widget fight. So you call him an enemy, and you either interrupt or stop listening. Anyway, you don't hear the end of his sentence, which is ". . . until Tuesday, because the shipment of raw materials was delayed."

A more subtle, harder-to-spot form of prejudice is to distort the speaker's presentation, hear only those parts of it that seem to support our point of view. A movie reviewer writes: "What a stupendous waste of the fine actors and great story, which could have made this one of the year's outstanding films!" The ad quotes him as saying: "Stupendous . . . fine actors . . . great story . . . one of the year's outstanding films!" Cutting out just a few crucial words turned the criticism into praise. We're all adept at this kind of cutting.

Nobody can free himself completely from all forms of prejudice. The best we can do is to expose ourselves to facts as often as possible, and to try to allow in advance for subjective kinks in our point of view.

SOME OTHER PITFALLS

A frequent block to good listening is boredom. Your thought speed, it has been calculated, is four or five times the usual speed of speech. If you're not deeply interested, if the subject matter seems too simple, or if the speaker is on the dull side, you tend to go off on your own private mental tangents. There are times, of course, when inattention constitutes the best possible form of self-defense. But if you do have a purpose in listening,

you can stay on the same track as the speaker without slowing down to his pace. Use your spare time to get clear in your mind what you hope to learn, and listen specially for this. Try to anticipate the speaker's next point; review the points he has made already; weigh his evidence. Watch his expression and movements to get the fullest possible understanding of his point of view.

Apathy sets in also when the subject matter is too difficult, or when the speaker fails to make himself comprehensible. If circumstances permit, you can help yourself and any other participants by asking the speaker to be more clear.

Among the more damaging forms of non-listening is pretended listening. You may fool the speaker by nodding and grunting from time to time, but you can never fool yourself. Face the facts squarely. You either have or have not a reason for listening. If yes, and even if the reason is only an inescapable social pressure, listen; you'll get into difficulties if you don't. If no, make an excuse and go away.

Experts have suggested certain procedures which will help you improve your listening. The first is to do some preliminary practicing, as when listening to speakers on television and radio. Try to sort out the speaker's main theme from his digressions, irrelevancies, and supporting subject matter. Try to evaluate his argument. Notice any words or statements which touch off your antagonism or sympathy. Note also any propaganda techniques: appeals to prejudice, use of stereotyped symbols, statements which are cleverly worded to sound logical even though they're not.

When the speaker has finished,

write a single paragraph giving his main idea and supporting evidence and stating why he has—or has not—made out a convincing case. If you do this with a group of friends, the group members can compare reactions. This practice, incidentally, will make you a more skillful speaker as well as a better listener.

If the arrangements for a meeting are up to you, provide the best possible physical conditions. Seats should be close enough to hear without straining; face to face for an interview, arranged in a circle or square for a conference. Try to exclude distracting noises and interruptions. If notes must be taken, have pencil and paper ready. It pays to prepare yourself mentally and emotionally for listening. Give some thought to the subject of the meeting. If it's controversial, try to recognize your own prejudices and your possible private goals.

Once the meeting starts, your newly acquired listening skills come into play. Again, you listen for the main points and supporting evidence; identify bias and propaganda appeals. But use this material with, not against, the other person. Chances are you'll be working with him for a long, long time.

Let's say that a person whose point of view is opposed to yours makes a ridiculous, indefensible statement. On a debating team you'd pounce on the statement, make the man look foolish. But the purpose of this meeting is cooperation, not competition. A brief pause will give the speaker a chance to correct himself without feeling humiliated.

Interruption and contradiction should be used only sparingly. But in

a small meeting or interview a timely question may help the speaker make himself clear, or may bring him back to the point if he has strayed.

Taking notes may be unavoidable. But you'll do well to keep them as brief as possible. Your time is better spent in concentrating on the speaker.

AN EXERCISE IN EMPATHY

Now, would you like to engage in a final test of the quality of your listening? Carl R. Rogers has made this suggestion: Next time you get into an argument, just stop the discussion and institute this rule: Each person may speak up for himself only after he has first stated the ideas and feelings of the previous speaker. Any distortion may be corrected immediately by the original speaker.

This means, of course, that before presenting your own arguments you must place yourself in the other person's frame of reference; must understand his ideas well enough to summarize them. You'll find this tough but rewarding. First of all, you must really open your ears as never before. Then you must consider the other speaker's arguments carefully. That may mean some change in your own point of view.

Also, the other person hears how his statement sounds to you. He may not have meant it just that way. He too makes changes. Quite suddenly, the heat goes out of the argument. Differences are reduced. Those which remain are easier to reconcile. In the end everyone feels he has gained some benefit. He goes out saying "That was a good meeting," not "You can't win."

Unquestionably, listening oils the

wheels of industry. But it enriches personal life as well. The skilled listener develops a sensitivity which enables him to break out of the shell of individual isolation, to share the experiences and emotions of others.

Wendell Johnson, a leading authority on communications, has said:

Our lives would be longer and

richer if we were to spend a greater share of them in the tranquil hush of thoughtful listening. We are a noisy lot; and of what gets said among us, far more goes unheard and unheeded than seems possible. We have yet to learn on a grand scale how to use the wonders of speaking and listening in our own best interests and for the good of all our fellows. It is the finest art still to be mastered by men.

Few virtues are more prized and less practiced than good listening. This check list, though by no means complete, will help you gauge your own listening habits. Try to answer each question objectively.

LISTENER'S QUIZ

When taking part in an interview or group conference, do you:

Usually Sometimes Seldom

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 1. Prepare yourself physically by sitting facing the speaker, and making sure that you can hear? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Watch the speaker as well as listen to him? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Decide from the speaker's appearance and delivery whether or not what he has to say is worth while? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Listen primarily for ideas and underlying feelings? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Determine your own bias, if any, and try to allow for it? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Keep your mind on what the speaker is saying? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Interrupt immediately if you hear a statement you feel is wrong? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Make sure before answering that you've taken in the other person's point of view? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Try to have the last word? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Make a conscious effort to evaluate the logic and credibility of what you hear? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Score yourself as follows: Questions 1, 2, 4, 5, 6, 8, 10: Ten points for "usually," 5 for "sometimes," 0 for "seldom." Questions 3, 7, 9: Zero for "usually," 5 points for "sometimes," 10 for "seldom."

IF YOUR SCORE is below 70, you need training; 70-85, you listen well but could improve; 90 or above, you're an excellent listener.

Taking the Sting Out of a Layoff

WHEN unexpected cancellation of a government contract necessitated a layoff at the Morris Bean & Co. foundry, management devised an unusual program to handle the situation.

In line with its policy of keeping employees thoroughly informed of all developments in the business, management first decided that employees should be told immediately that layoffs would come within four to six weeks and that no one with more than nine months' experience would be dismissed. It was also decided that no one need be dismissed without giving him at least two weeks' notice. If the worker found another job before he was to be laid off, he was allowed to take it and still maintain his seniority.

Then the company came up with the novel idea of paying the men while they looked for other jobs. Each man who was to be dismissed got two days off at full pay. He was allowed to take these in multiples of half-days, which gave him four opportunities to look for other jobs while being paid.

The results gained from this layoff policy were remarkable. Of 121 separations, of which 101 were actually layoffs, only seven went out without having another job waiting for them. Two of these got work quickly, and most of the others had good prospects when they left.

Apart from the money the program may have saved by averting payments for unemployment compensation, it aroused a good deal of warm comment among surrounding communities. Morale and work quality in the plant were high during the period of laying off. Most of the dismissed workers want to come back.

—BRUCE MCPHADEN in *Supervision* 6/55

Trends in Health and Welfare Plans—A Survey

SOME INTERESTING FACTS on negotiated health and welfare plans are brought out in a study of 293 plans covering 264,092 employees in the San Francisco Bay area. The survey was made by Federated Employers of San Francisco and United Employers, Inc., of Oakland.

All the plans studied provide hospital and surgical benefits. The most frequent benefit amounts are full cost of hospital room and board for 21 to 120 days, full cost of hospital extras, and maximum surgical fee of \$300. Nine-tenths or more of the plans also provide life insurance (most frequently \$2,000), supplementary hospital benefits in case of accident (\$300), and costs of doctors' visits (\$3 for hospital and office, \$5 for home calls) and diagnostic treatment (\$50).

Under 80 per cent of the plans, the employer foots the entire bill for employee benefits; 68 per cent provide dependent coverage at no cost to the employee. (These figures are much higher than those for the country as a whole; according to a recent Bureau of National Affairs study of negotiated plans, about 57 per cent are non-contributory, and 39 per cent provide dependent coverage on a non-contributory basis.) Most frequent employer contribution is \$8.65 a month, or 5 cents an hour, per employee.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 6/16/55

When Secretaries Are Scarce

THERE'S an empty desk in many an executive office these days—not for want of a management man to fill the chair, but for want of a secretary.

First-class secretaries are always at a premium, but their scarcity is even more pronounced today. Business is expanding, creating high-level management posts by the thousands. The men who take those posts need more than a stenographer to expedite their work, but there aren't enough qualified secretaries to go around. A big New York agency says the business of placing secretaries in the \$75 to \$80 salary bracket has just about dried up. Secretaries are more inclined these days to negotiate their own new jobs.

The darkest aspect of the problem for employers is the near future. The low birth rate of the 1930's will continue for years to depress the supply of girls for secretarial jobs. To make things worse, as *Charm* magazine points out in a current series of articles on job opportunities, the high marriage and birth rates of recent years have further cut into the supply of women who want office work.

To cope with the shortage, management has tried a variety of tactics:

Outbidding other employers by steadily raising the salary scales. This practice mostly reshuffles the available labor supply, but it also helps to entice more girls into the field.

Recruiting more beginners at the high-school level. International Business Machines Corp. has just released a Hollywood-cast movie, titled "The

Right Touch," designed to sell the job of secretary to the high-school girl.

Setting up earn-as-you-learn secretarial schools to turn high-school trainees into full-fledged secretaries.

Stretching the present secretarial force by pooling the secretaries of middle and lower management or by farming out peak-load work. Some smaller companies are doing without their own secretaries; they either contract for this service or use centralized services provided by office buildings.

Raising the hiring age to include the older women who are now often frozen out of secretarial work when they find it necessary to look for new jobs.

Personnel people agree that the two most important measures are (1) bringing in more girls to start at the bottom and (2) holding on to the older women who may be the major new supply in the next few years.

Many companies that formerly required special training in secretarial schools are now enlisting girls as they come out of high-school commercial courses and providing the secretarial training themselves.

John Hancock Mutual Life Insurance Co., for example, pays trainees about \$45 a week while they are attending Hancock's own school, and Raytheon Manufacturing Co., also in the Boston area, offers \$52.50 a week. New York offices have been known to offer as much as \$70 a week to girls fresh from high school.

The National Secretaries Association is plugging hard for more consideration for women 35 years and older. NSA says some of its 13,000 members often find it hard to change jobs if they are above that age, although those career secretaries should be more valuable for their experience and judgment.

Through arrangement with 50 colleges, NSA offers a stiff two-day examination in secretarial work, including business law, economics, and accounting. With a Certified Professional Secretary rating, the Association thinks an older woman can compete for a job on the basis of proved competence rather than age. The average age of those who have passed the CPS exams so far is 35.

In spite of the claimed advantages of more experience and greater efficiency among secretaries over 35 years old, personnel directors seem hard to convince. "The younger they are, the more easily you can mold them into

conformity with office routine," a personnel man put it.

Yet the Welfare Federation of Cleveland's Occupational Planning Committee recently said: "If employers' job experiences with mature women workers have been as favorable as their responses indicate, hiring practices relative to older women in some firms in Cleveland are based not on fact but on prejudice."

Charm magazine tops its argument for the older women with the claim that she has one other advantage—willingness to stick to a job.

"Young women who presently fill the majority of jobs," the magazine says, "are less stable employees, as a group, than are older women. Many leave their jobs when they marry—or later when they have children. Many accept secretarial jobs as a 'fill-in' before moving ahead in their fields of training. And turnover in the [secretarial] field will remain high as long as . . . young women predominate."

—*Business Week*, April 16, 1955, p. 128:3.

Communicating with Employees: A Survey of Company Practices

AWARE that good industrial relations depend on clear and mutual understanding, progressive managements are taking a critical look at their ways of telling workers about the company—and also at their means of learning what workers actually know and think about the company. Recently a joint evaluation of current communications practice in New York State industry

was conducted by the New York State Department of Labor's *Industrial Bulletin* and the House Magazine Institute. This survey covered 53 representative industrial firms which co-operated by answering a detailed questionnaire on communications policy and practices.

In 75 per cent of the respondent companies, over-all company communi-

cations policy is set by either the president, general manager, personnel director, or industrial relations manager, with presidents and general managers doing all such policy-making in half the firms.

In 12 of the 53 firms, the personnel director selects the method of relaying a specific message, and in 11 others the selection is the responsibility of the industrial relations department. Thirteen firms stated that the decision was made by an unspecified "company officer," seven specified the plant manager, and eight stated that the head of the department concerned determined how a particular message would be sent. Only one firm charged this important responsibility to a professional communications director. A total of nine companies use the services of a personnel or public relations consultant specializing in communications.

Practically all of the companies surveyed used several different media for passing information along to employees. Of the 53 firms answering, 49 used bulletin boards; 34 used meetings; 33, house organs; 31, news letters; 10, intercom systems. Eight maintained information racks, and six used slide films and movies.

House organs are used for messages ranging from editorial pep talks signed by the company president, through inspirational material lauding free enterprise, to news and feature stories on many subjects presumed to be of interest to the worker. In classifying subject matter appearing in their house organs, 24 of the 33 firms listed "special interest" material, 14 listed "general interest" material (these two categories evidently include such subjects as new products, sales cam-

paigns, personal items, sports events, contests, etc.), and seven listed safety material. Only six firms specifically listed labor relations news and news on plant policy, though possibly others included these subjects under their general and special interest classification categories.

While all the companies surveyed showed interest in getting management viewpoints across to workers, nearly all seemed less concerned to ascertain the worker's views. Answers to a question on communications from employees revealed that most managements used only the familiar suggestion box to get employee opinion.

Thirty-six of the 53 companies use suggestion systems. In most of them (21) the worker submits his signed suggestion to a designated company official or to a committee, while in 15 others suggestions are submitted anonymously. Some managements also receive suggestions from workers through a column in the house organs which prints signed letters from workers. Among the companies not using suggestion systems, several mentioned meetings with department heads, grievance machinery, and informal contacts between workers and foremen as methods of learning what employees were thinking.

Asked about their future plans in the employee-communications area, 24 companies either gave no answer or indicated they had no such plans. Answers from the 30 companies which expect to improve their communications systems in the future ranged from vague and fragmentary comments to concise, pointed statements denoting definite planning. One-third of them

specified that the company was inaugurating an open-door policy allowing any worker to speak to a higher-up at any time he wished. Several companies regarded this policy as their principal means of receiving communications from workers.

Twenty per cent of the companies said that they planned to inaugurate regular meetings with employees or to enlarge and improve meetings already scheduled. Among other specific de-

vices mentioned in connection with future planning were training programs, news letters, reading racks, slide films, house organs, and employee handbooks.

An important fact emerging from this survey is that most of the companies participating believe that they can improve their industrial relations by helping employees to understand management problems and the reasons for management policies.

—*Industrial Bulletin* (New York State Department of Labor), May, 1955, p. 14:5.

Health Insurance Coverage Reaches a New High

NEARLY TWO out of every three persons in the United States are now protected by private health insurance, according to the Health Insurance Council's annual survey for the year 1954.

Conservative projections of the survey data set the mid-1955 total of persons with voluntary health insurance against hospital expenses at 104 million. About 89 million people have surgical expense protection, and 50 million regular medical expense protection.

Total benefit payments on health insurance claims for 1954 exceeded \$2.7 billion, a gain of 11 per cent over the previous year, the survey shows. More than half of this went to help meet the hospitalization expenses of beneficiaries, and over \$730 million was disbursed for surgery and medical care.

Of the aggregate benefit payments in 1954 by all forms of voluntary health insurance, 56 per cent of the total came from the insurance companies, 39 per cent from plans of the Blue Cross and Blue Shield type, and the remaining 5 per cent from various independent plans.

Commenting on the survey's findings, John H. Miller, chairman of the Health Insurance Council, said: "Measured in terms of benefits paid out by insuring organizations in 1954, striking progress was made during the year. And the survey figures indicate continuing progress at rapid rates for the foreseeable future."

LEISURE TIME FOR RECREATION for the average employed American has nearly doubled since 1900 and seems likely to increase still further, according to a recent Twentieth Century Fund report. Figures indicate that since 1910, as our national productivity has increased, we have tended to take about two-thirds of the potential increase in the form of goods and services, and one-third in shorter working hours and increased leisure. Long-term trends indicate an average work week of 37.5 hours in 1960.

Getting Workers Behind the Safety Program

THOMAS C. KENT

Director of Personnel

Daisy Manufacturing Co.

Plymouth, Mich.

ANY RESPONSIBLE management wants its employees to work safely, if only for the sake of their own welfare. But beyond this, workmen's compensation insurance is costly—and every company wants to shave that expense by lower frequency and severity rates. All too often, however, management and labor have been at sword-points on safety matters over what companies have regarded as an "invasion of management prerogatives" by unions.

It seems obvious that, where safety is concerned, participation by employees is the goal—and that it is unlikely to be attained through dictation by management or union representatives. This is the basic assumption of the safety plan in effect at Daisy Manufacturing Co., which is designed to encourage greater employee interest and participation in safety, while at the same time assuring that authority, as well as responsibility, rests with the company. This is how the plan operates:

Once a month each operating department, through its supervisor, names two employees to act as safety inspectors for the month. The inspectors' jobs rotate alphabetically among all employees in the department.

Inspectors—who are in most cases hourly-paid employees—are given the time necessary to tour the department

during working hours looking for hazards. They wear special badges, and carry a checklist of things to watch for: e.g., machinery guards removed, unsafe tools, slippery spots in the floor, poor lifting habits—comprising about 20 of the most common hazardous conditions and practices. After they have made their inspection, they deliver a signed report of their findings to the departmental supervisor. (They may, of course, bring particular hazards to the supervisor's attention at any time.)

After having received their written report, the supervisor corrects at once whatever unsafe conditions he can. He may ask maintenance to repair a hole in the floor, see that new safety glasses replace worn ones, clear aisles of obstructions, order a stock-truck repaired, instruct an erring employee in proper lifting practices, etc. Next, he himself writes a report listing all the conditions reported by the inspectors, and in an opposite column describing what corrective action he has taken in each instance. If he disagrees with one or more of the findings, he may so indicate. Items involving policy or large financial outlay he refers to the Plant Safety Committee. Then he turns in both reports to the personnel office.

Personnel acts as custodian of the reports until the second Friday after-

noon of each month, when the plant Safety Committee meets to review them. At Daisy, this Committee consists of the Executive Vice-President, the Director of Manufacturing, the Production Manager, the Maintenance Supervisor, the Plant Nurse, and the Director of Personnel. The union has a voice, too: the local union president has the right to appoint one member to the Board. This representative is usually one of the skilled tradesmen—a diemaker or a machine repairman.

In turn, each department's problems are examined by the committee. How soon can a fork-lift truck be repaired; or should we replace it? Is the hazard in the spot-welding room actually great enough to warrant installation of a whole new ventilating system for drawing off the smoke which occasionally escapes our present vents? Is there an overload on electrical outlets in the tool room? Either action is decided upon at the meeting, or responsibility for further investigation is delegated to some member of the Committee. No complaint is allowed to grow stale waiting for executive decisions—the people responsible for making larger financial decisions are present, and they make them on the spot.

The Plant Safety Committee, too, then writes a report of its decisions (a job that usually falls to the Personnel Director!) and copies are sent to department supervisors so they can report to their people what action has been taken. In addition, the monthly employee magazine usually carries a summarized version to emphasize to employees that management is interested in their safety.

We have had good results from the plan at Daisy. The paperwork in-

volved is simple, and standard forms have been mimeographed to speed the work. Over the 12-month period ending January 31, 1955, employees acting as Safety Inspectors reported 306 conditions they considered unsafe. Department supervisors corrected the great majority of these. The Plant Safety Committee corrected 56 more, and the balance were rejected because they involved enormous or unwarranted expenses, or because they were simply not feasible. For example, a recurring complaint was "crowded aiseways." This condition could not be corrected entirely without either erecting a new and larger plant or reducing the production schedule below the point of profitable operation. Nonetheless, an effort was made to remove stock-trucks from aiseways more quickly.

Direct results can be computed, too. Accident exposure at Daisy is relatively minor (the work involves light manufacturing of air rifles, play-guns and shot) but during this same 12-month period frequency and severity rates improved; workmen's compensation claims declined 18 per cent, and visits to first aid decreased by 6 per cent. Some less tangible but equally important results also seem to have been achieved in the plan's first year:

1. Everyone in management was on his toes, anxious to improve the company's record of safety.
2. Employees and the union seem convinced that management is genuinely interested in the personal safety of each employee—and that it isn't necessary to demand safer conditions.
3. Employee interest and cooperation in safety was heightened.

4. As the Safety Inspectors' jobs rotated in each department, employees became better informed on safety matters, learned to weigh cost factors, and became less critical of management decisions.

Finally, the union member of the plant Safety Committee reports on

Committee decisions at the union's monthly meeting.

Hoover Ball & Bearing Company of Ann Arbor, which originated the plan, reports similarly good results in practice. In fact, the plan should serve well in any small or medium-size plant.

A Guide to Good Plant Climate

WHEN THE MERCURY soars to 90°F., a worker's efficiency loss may vary anywhere from 5 per cent at low humidity to 30 per cent or more at 100 per cent humidity. Whether your problem is heat and humidity generated by processes or just the oppressive warmth of a sweltering summer day, it's important, therefore, to know the thermal limits of your employees' efforts.

Though there are no rigid standards for universal application, certain tentative ones have been developed through scientific study. These assume moderately low humidity and air movement of less than 50 fpm:

Temperature for light work (office or factory locations): Winter, 62° to 72° for men, 72° to 76° for women. Summer, 75° to 82° for men, 78° to 85° for women, at humidities less than 50 per cent.

Temperature for heavy work: Winter and summer, 60° to 65° for men and women. Although much lower temperatures are comfortable and pleasant during heavy work, they are likely to chill perspiring workers during rest periods.

Humidity (light or heavy work): In winter, the natural humidities of your locale. However, continuous exposure to relative humidities over 80 per cent should be avoided. In summer, relative humidity generally should be kept under 50 per cent, especially at temperatures over 80°. Humidity becomes critical at temperatures approaching normal skin temperature (94° to 95°) because virtually all body heat must then be removed by evaporation of sweat.

Short of all-out air conditioning, there are literally dozens of ways of cutting down on heat fatigue and protecting your employees' health. For example:

You can aim at your workers. Thermal controls are often best directed at the worker. Better selection for hot jobs, gradual acclimatization, health care, salt and water replacement, rest periods, adequate washroom facilities, and protective clothing are all helpful ways of minimizing the adverse effects of high-temperature working conditions. Spot cooling and radiant screening are other effective devices.

You can adapt your process. Combating process heat and humidity takes imagination. The best way to begin is to make a survey of the amounts of heat given off by radiation and convection—from furnaces, steam pipes, cookers, and the like. This should give you a clue as to whether the process should be changed or modified, mechanized, or isolated.

You can change the room climate. Frequently the climate in your plant, whether produced by nature or by processes and equipment, may vary considerably from one location to another. Sometimes heat in a plant is best controlled room by room.

Ventilation will help, especially in winter. Evaporative cooling is useful in hot, dry regions where outside wet bulb temperature is under 70°F. most of the time. In a hot-moist industry, chemical dehydration, with little or no temperature reduction, is effective. Air conditioning, still the exception rather than the rule in most plants, should be considered as a possibility for sectioned-off rooms where it may be feasible and would produce foreseeable benefits—even if it's questionable or uneconomical for your plant as a whole.

You can modify your present building. Plant-wide air conditioning is often installed largely for the sake of the manufacturing processes (as in some textile mills) with little thought for the health and productivity of

the workmen. When you calculate economic feasibility, these latter factors—as well as effects upon morale and alertness—should be taken into account.

Among other possibilities for combating heat from the process inside and the weather outside are:

Apply reflective exterior paint on roof and south and west walls; provide a roof pond for flat roofs, or resurface with tar and white marble chips; provide awnings or louver-type screening for south and west walls; provide roof gravity ventilators and fresh air intake blowers; and insulate roof and side walls.

If you plan a new building. Besides choosing your new location with an eye toward general climate, your new building should have high ceilings for hot-process loads and a peaked roof or electrically operated roof monitors or heat valves for venting stale air by natural convection. Window exposure should be on north and east walls only. Alternatively, you can add heat-absorbing and glare-reducing glass on south and west.

Your building will be cooler on the shady side of a hill. There will be cooler air from a lake or ocean breeze, or in a valley that channels prevailing summer winds. Orient it to take advantage of its design—windows to catch the breeze and windowless walls to face the sun.

—C. P. YAGLOU. *Factory Management and Maintenance*, June, 1955, p. 104:4.

I AM A GREAT believer in luck, and I find that the harder I work the more I have of it.

—STEPHEN LEACOCK

Controlling the Cost of In-Plant Charity Drives

AN EFFECTIVE SOLUTION to the recurrent problem of in-plant charity drives, in the form of a voluntary payroll deduction plan, is saving most of the time formerly spent in solicitation, at the J. P. Seeburg Corp., Chicago, according to Ralph M. Isacksen, Seeburg's personnel director. At the same time, per capita contributions have more than doubled.

Four years ago, the company sent a letter to each employee announcing the "Seeburg Payroll Deducted Charity Fund," and stating that disbursements would be handled by an employee committee made up of the various club presidents. Those who wished to participate were asked to check off on a pledge card the amount and the method they preferred: 20 cents or 40 cents weekly deduction, or \$10 or \$20 lump sum.

The committee selected 10 charities, most of which hold annual fund drives. As the time for each drive rolls around it is publicized, and payroll plan members receive lapel pins, red feathers, or other insignia. Those who do not belong get an opportunity either to contribute to the individual drive or to join the plan. Plant-wide membership is now 90 per cent; departments vie with each other to hit 100 per cent.

The cost of establishing the plan was minimal: less than 5 cents per employee for the original announcements, pledge cards, and membership cards. Many hours have been saved and much friction eliminated, and the charities are receiving an average of \$10.92 per employee, as compared with \$4.05 five years ago.

Getting More Out of Trade Shows

ATTENDING A TRADE SHOW can be a tiresome chore—or an instructive and rewarding experience. Here are some suggestions culled from *The MEWA Selling Job*, published by the Motor and Equipment Wholesalers Association:

1. *Use your program or directory.* Check off names and book numbers of manufacturers you definitely don't want to miss.
2. *Try to attend the show with an associate* or someone with the same interests. You will be able to discuss on the spot the merits of the products and services that might be applicable to your business.
3. *Be inquisitive.* Exhibitors can seldom display all their products or all their technical information and "know-how."
4. *Don't trust anything to memory.* Jot down names, ideas, materials, products, suppliers, and anything else that might be helpful.
5. *Look over exhibitors' literature.* But collect only what you think will be helpful.
6. *Tour the entire exhibit.* You never know what or whom you might run into.
7. *Do a thorough job of screening* when you get back home. Put the important material in a file folder—and throw out the rest.
8. *Make a report* for the benefit of your associates who couldn't attend, as well as for your own edification. Take a look at it a month after the show. You'll find it interesting—and valuable.

Steps in Developing an Industrial Fire Policy

THE FIRST big step in developing Procter & Gamble's present fire policy was taken after the company's original factory in downtown Cincinnati was very largely destroyed by fire in 1884. A new plant named Ivorydale was subsequently erected several miles out in the country. It was spread over a wide area and included numerous separate buildings. A huge reservoir for water storage, with a complete underground water system, was provided.

Later, as other plants were erected, the same general program was followed. Where property already being used for similar manufacture was purchased, it was necessary to accept some multiple-story buildings, but in all such cases the risks have been divided into comparatively small fire areas, with adequate water and sprinkler protection.

Other steps in building up the Procter & Gamble fire policy have included the following:

Cooperation of management. Recognition by owners and management of the fact that entire plants may be destroyed by fire we place in a position of primary importance. Without it no fire protection policy is worth its salt. Once achieved, such recognition guarantees sympathetic support of the organization's fire protection and fire prevention plans. After getting over this hurdle, it is not difficult to obtain the cooperation and backing of devel-

opment, engineering and manufacturing departments.

Cleanliness. An important step was taken when we at Procter & Gamble were all sold on the value of cleanliness in plant operations. This was the result of a visit by the company president to some of our factories many years ago. Some of our local manufacturing people thought that their plants were clean; but the president thought otherwise. He said flatly they were actually untidy—and pointed out that, after all, "cleanliness is our business." The reaction was immediate and the improvement little short of miraculous. Today, throughout the manufacturing and administrative organization, we regard the maintenance of a clean plant as a basic step in developing a fire policy.

Study of causes of fires. For every fire loss, regardless of size, we keep a record which includes a report of investigation with all the facts available. A study of these reports gives a clear picture of what to look for or what to do to prevent other losses under similar or related circumstances. In addition, we study the current fire reports and statistics published by the National Fire Protection Association, to compare our experiences with that of other plant operations. The study of the causes of fires is time-consuming but rewarding. It is unfortunate that in too many cases we must use

our bad experience as a primary guide in building up a fire policy.

Prevention of losses. In a large company, changes and additions are constantly being planned and made. In our company, the general management is in the hands of an Administrative Committee which authorizes expenditures and establishes company policy. The Insurance Manager is given a copy of Committee authorizations covering new developments such as additions to plants, new plants, changes in processes, and matters of similar nature.

When a project has been authorized, the study of fire protection is carried through by contact between the proper manufacturing and engineering personnel and the Insurance Department until the construction work has been completed. In addition to the fact that the Insurance Department is responsible for seeing that all insurance requirements are complied with, the various steps taken in the interests of fire safety during engineering and construction stages provide basic information with which to work out the permanent fire protection plans for the new project after it is in day-by-day use. Along the way, various departments and individuals are brought into the picture so that everyone understands, insofar as possible, what risks are involved.

Another step in fire protection which we deem important is the matter of holding down fire areas. We know by experience that fire walls form an effective barrier against spread of fire, and it has been our practice to hold fire areas to a minimum. Under modern procedures this is difficult, but there have been some expensive

lessons to guide us along the way.

In all projects involving new or increased plants and facilities we have found no substitute for sitting down with the chief engineer or his associates and with insurance company engineers and studying the fire-safety situation from scratch. Such a study concerns first of all the prime problem of safety to employees. It concerns, too, fire protection, insurance requirements, and the matter of low rates for insurance. Finally, of course, production must be efficient and profitable, or there is no excuse for the new factory or process.

Plant Fire Brigades. A factory with a one-source water supply, no standpipes, and only city hydrants with a public fire department to rely on is an entirely different type of risk from a plant with two or more sources of water supply. The first risk may have no plant fire brigade, because there is little for a fire brigade to do, but the second risk may have numerous plant fire brigades. These differing conditions exist within our organization; and, of course, the fire protection systems differ in our plants in the 43 communities in which we operate. However, the application of systematic steps in fire prevention and of planned fire protection methods remains constant. The plan calls for a clean factory, good watch service, personnel alerted to fire hazards and trained in fire prevention, and adequate fire divisions.

For example, one of the largest Procter & Gamble factories is divided into 17 fire areas, with a fire brigade in each area in addition to a central department comprising a fire chief and about 50 men. In each area fire brigade there are approximately 10 men, with

one man as chief. Men in the non-hazardous areas are given about two hours' training every three months. Men in the hazardous areas receive training every two months. The hazards in each particular area are explained to the members of the brigade. Regular drills are held not only inside the departments but also out at a drill ground.

The central department is divided into five groups of 10 each; each group receives four hours' training per month. The fire chief is the key figure in this program. At the small plants too, brigades have been organized; and repeated tests show that the men respond to an alarm and have hose connected or extinguishers ready to use in a period of from 40 to 80 seconds.

In all the steps taken, we never lose track of the city fire departments. It is both good policy and a vital step in planned fire protection to have the local city fire department representatives visit factories frequently in order to familiarize themselves with the plants.

Inspections. We have regular plant inspections which are similar to those made by the insurance companies but, we believe are more exacting because our men are familiar with the hazards existing at the factories and are better able to talk out and review in detail matters which do not look right. Following these inspections a written report is prepared; where conditions justify it, the report includes recommendations for elimination of defects. These reports are edited in our department and submitted to the Admin-

istrative Vice President, with copies to the President and Chairman of the Board. Other copies go to manufacturing departments, including the local plant management. Each item is followed up until it gets attention.

In addition to these inspections, self-inspections are made daily and weekly. Interruptions to fire protection, such as broken lines, sprinkler impairments, or new work being done, require special telegraphic notices to our department at the time the interruptions start and a second notice when the defects have been corrected. This particular program has been in effect for many years. We consider it one of the important and necessary steps in developing a sound fire policy, as well as a vital requirement in stressing throughout the organization the importance of continuous, never-ceasing fire watchfulness.

Standards. All the principles described here are outlined in the company standards which we have prepared for the different departments of the business. Keeping these standards up to date, coordinating their observance, and looking after their constant improvement requires the active interest of the executives of the company, division superintendents, plant superintendents, fire protection men, and watchmen. Sound methods of fire protection are the concern of everyone, from the local fire protection man and watchman to the Chairman of the Board. It is the active interest of all these men which rounds out the development of an industrial fire policy and helps to make it effective.

—From an address by LOWE H. WIGGERS (Manager, Insurance and Real Estate Department, The Procter & Gamble Co.) before the National Fire Protection Association.

Renovating Your Office Methods

IF YOU HAVE been assuming lately that the efficiency of your office procedures leaves little room for improvement, try these three simple tests:

1. Check every envelope in your stockroom and ask yourself: "Could this envelope be made into a window envelope to eliminate typing a name and address twice?"

2. Check every form filled in by typewriter and ask yourself: "Is this form ruled for typewriter preparation and spacing, and for automatic tabulation?"

3. Check one file drawer of general correspondence and ask yourself: "Could any of these items have been destroyed before filing?"

These are the recommendations of John R. Crowley, Systems and Procedures Manager for the Hotpoint Company of Chicago. He suggested them, along with other proven routine-disturbers, at a recent annual conference of the National Office Management Association in Toronto.

Ineffective methods are allowed to strangle our clerical efficiency, said Mr. Crowley, because we become so enmeshed in routines that we do things without thinking. Moreover, any executive may come to feel a kind of affection for a particular system after he's lived and worked with it long enough.

If love can afford to be blind, office management can't. Here are some basic questions, applicable to any office operation, that often prove to be real eye-openers:

Why is the work done? Is an invoice being typed to impress a customer with its appearance, when it goes to a clerk whose only interest is in seeing that it gets paid? Are you giving the sales manager figures which may be interesting, but which get to him too late to be useful? Does he want those figures, really? Have you asked him? Are you providing somebody with progress reports on conditions corrected long ago? Or on which no progress is being made? Do you send top management daily, statistically accurate billing information when management might be equally well served with reasonably accurate estimates?

Is the work duplicated elsewhere? Do any of your reports overlap with those put out by other sections? Are typed purchase requisitions sent to the purchasing department to be retyped on purchase orders? Then does your receiving department completely rewrite the same information on a receiving report? Do you type product information on an order, then completely retype the same information on a bill of lading, when both might be combined in one typing?

What is the very worst that could happen if the work weren't done at all? Suppose you just initialed that letter and added the date it was answered. Would that be any less proof than a carbon that you answered him? How many of those carbons should be marked "Alibi File"? And has any of them ever served as a

puncture-proof alibi, when you come right down to it? Does any checking procedure cost more than the errors it catches?

If you unflinchingly seek the

answers to these questions, you may find yourself saving the company substantial sums of money. Top management tends to look with affection upon anyone who does that.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice, New London, Conn.), July 4, 1955, p. 2:2.

Office Supplies and Equipment— A Purchasing Checklist

ARE YOU getting maximum value from your office equipment dollar? Here's a checklist that will help you determine whether there's room for improvement in your present practices:

1. Do we keep a record of all the office machines we have in use?
2. Have we investigated the possibility of leasing or renting equipment, particularly high-speed accounting machines?
3. What have we done to solve the problem of frequent ordering of small stationery items?
4. Have we compared the advantages of testing supply items with the advantages of buying them by brand name?
5. Have we weighed the possibility of standardizing on furniture items?
6. Have we seriously tried to analyze office problems so that the correct machine or application can be used?
7. Do we use the office equipment salesman as a means of keeping up with the latest developments in machines and methods?
8. What are we doing about the replacement of all aging office machines so as to maintain the office at peak efficiency?
9. Have we investigated how new machines might fit into our office work-flow, or how their potential can be fully realized?
10. Is our equipment adequate for the existing workload?
11. Conversely, is high-cost equipment doing low-cost work?
12. Have we compared the cost of service contracts with outside organizations against those of internal machine servicing?
13. Do we call in sales representatives to help solve involved records problems?
14. Have we tried to standardize our forms to make it more economical to buy standard folders and binders for them?
15. Have we studied our work flow?

—*Purchasing* 6/55

"REAL" RUBLES: A Russian worker's real wages were lower in 1954 than in 1928. His actual take-home pay has increased 10 times since 1928—but the cost of living in Russia has multiplied 14 times.

—*Management Information* (Elliott Service Co., 30 North MacQuesten Parkway, Mount Vernon, N.Y.)

Better Correspondence at Lower Cost

NOT LONG AGO, Mutual Life Insurance Co. of New York announced that 98 per cent of the 156,000 letters it received during 1954 were answered within three days. While such speed is enviable in itself, it represents only one phase of a letter-improvement program that has saved an estimated \$85,000 a year and has also bettered customer relations.

MONEY began emphasizing the importance of letters as good-will builders after it surveyed policyholders back in 1941. The survey discovered a chronic complaint of customers was that letters were too complicated to understand and frequently did not seem to answer the question. Often answers were delayed, and occasionally a policyholder felt he had to write again "for an answer to the answer."

As a result of the survey, MONEY started a campaign to "keep it simple," on the theory that people tend to mistrust things they do not understand. The company wanted customers to have a clear picture of their rights, privileges, and responsibilities. A program was set up with these objectives: (1) Systematize correspondents' methods; (2) improve the quality of the correspondence; (3) speed the flow of replies to letters; and (4) reduce the cost of producing letters.

An expert interviewed department managers to learn their special problems. Then he reviewed the letters being written and held discussions with home-office letter-writers. A set of 125 guide letters was prepared to cover

the main types of customer requests. Along with tips on how to "humanize" letters, these guides gave the writer a choice of language and eliminated timeworn and repetitious phrases. True to claims made for them, the sample letters enabled correspondents to double their output and at the same time saved from 20 to 70 per cent in stenographic time.

A similar manual was prepared for use by the home-office staff, and later on a Correspondence Section was organized to answer directly all letters received in the home office which contained several questions. Previously, such letters had been routed from one person to another until all the information was obtained. Now requests for answers to different parts of a customer's letter go to the various departments involved simultaneously, which saves a good deal of time.

Setting up this Correspondence Section also enables the company to keep a time-study record of all the letters received. When this practice was started, more than half of the letters received took six or more days for a reply. After 18 months, only 7 per cent of the total correspondence was held more than five days. The following year, 1946, 73 per cent of all letters were answered within three days, 26 per cent in four or five days, and 1 per cent took six days or longer. By 1952, 96 per cent of the letters were answered within three days, 3 per cent in four or five days, and 1 per cent in six days or more.

Time-control records are kept for 21 departments and divisions, showing the date inquiries are received and the date they are answered. Monthly tabulations of these records, which go to all company officers, have brought about three important benefits:

1. They create a healthy, competitive atmosphere among various divisions.

2. By disclosing chronic tardiness in some sections, they pinpoint areas where management can take steps to improve work flow.

3. They keep employees aware of the power of the simple letter to create and maintain good will among MONY's policyholders and other correspondents.

MONY constantly looks for letter-

—MARILYN FRENCH. *American Business*, April, 1955, p. 20:2.

writing ability in new employees and gives them every chance to develop this flair. Good letter-writers receive pats on the back via the house organ. Awards for exceptionally fine letters are now being considered.

The success of the correspondence-simplification program has led to streamlining in other aspects of the business. For example, the life insurance policy was restyled with a simpler format, an index to its provisions, easier-to-read type, fewer words, and a minimum of technical language.

Most recently, MONY's mortgage investment department was bitten by the "keep it simple" bug. A two-year review, just completed, has resulted in reducing 255 forms and form letters to a new low of 78.

The Salesman's Wife Looks at Selling: A Survey

INCREASED concern with the problems of salesmen's motivation and morale has brought management in recent years to a growing realization of the powerful influence a salesman's wife can exert on her husband's ability to sell. Her opinion of selling as an occupation, of her husband's job, and of the company that employs him may, it is becoming evident, greatly affect his performance. Until quite recently, however, how salesmen's wives actually do feel about these matters has been largely a matter of conjecture.

Some interesting specific facts on the subject have just emerged from a survey conducted by the Research Insti-

tute of America. Polling the wives of 3,000 salesmen in the trucking industry, RIA received replies from more than 1,000—a significantly high rate of return which indicates the wives' keen interest in the topics covered by the survey.

These wives regard the salesman's job as a tough, frustrating occupation, the survey showed. But on the whole their opinions were more positive than negative. They rated selling high in terms of security and career possibilities. Moreover, the wives believe overwhelmingly that salesmanship more fairly rewards the effort a man puts into his job than do other occupations.

On the whole, they regard salesmanship as interesting work—and they believe it pays well. But not one in 10 would rather have her son become a salesman than a doctor, engineer, or lawyer. One-third of the wives would like to see their husbands get out of selling; of these, two out of three gave as a reason lack of opportunity for advancement.

What wives dislike most about selling, the survey indicates, is that it forces their husbands day after day to face one crisis situation after another, since each sales situation presents the salesman with a possible defeat as well as a potential success. The tension to which her husband is subject, his irregular working hours, and the paperwork that has to be done at home interferes with family life, and the wife resents it. Thirty-five per cent of the respondents said they thought salesmanship the most frustrating occupation there is.

Asked to compare 10 occupations—salesman, engineer, high-school teacher, accountant, office supervisor, X-ray technician, court clerk, news reporter, private investigator, and draughtsman—in terms of several different criteria, the wives ranked selling first in career possibilities, fairness of rewards, and amount of work required; second in security, job interest, and pay.

Exhibiting a pardonable bias, the wife tends to attribute her husband's success to his personal qualities rather than to what his company does to help him sell trucking services. Just as naturally, she tends to blame the company rather than her husband when things go wrong.

The husband's job satisfaction and feeling of freedom and opportunity is what keeps the wife content with his being a salesman.

Following are a few specific questions from the survey, with the answers summarized in tabular form:

"Which of the following do you consider the most important single factor in evaluating the job at which any man earns his livelihood?"

Opportunity for advancement	46%
Security	33%
Reputation of the company	14%
Relationship with boss	2%
Undecided	2%
No answer	1.5%

"In your opinion, which one of these factors is most important to your husband's success on the job?"

His selling ability	32%
Hard work on his part	26%
His personality	18%
Quality and reputation of the product being sold	12%
Reputation of the company	9%
Undecided	1%
No answer	2%

"In your opinion, does the front office of your husband's firm thoroughly understand the problems he faces in connection with his job?"

Yes	47%
No	34%
Don't know	19%

"Aside from salary (which is, of course, important), what one or two things do you feel your husband's company could do to make his job more satisfying and productive for him?"

Recognition and communication ..	26%
Good service and cooperation	22%
Training and advancement	7%
Help with paperwork	6%
Incentives	6%
Automobile and entertainment	5%
Retirement and security	5%

Working conditions and benefits	3%
Miscellaneous	1%
Favorable comments	10%
No answer	8%

The survey also brought out several comments that might be assembled under the heading "Tips for Sales Executives." In the view of the salesman's wife, the company should, for example:

Have more understanding of the individual methods of each salesman.

Review his job performance at least once

a year. After studying and evaluating his work, point out the duties he is doing well, and those on which he needs to improve. As a result, he will be developing himself and his company.

Simplify reports, study them, and give credit when due. When a salesman slips down a little, try finding what is wrong before firing.

Give him a few concrete policies in black and white, so he knows where he stands—he often gets several conflicting orders from his superiors.

Bigger Budgets for Industrial Advertising

INDUSTRIAL ADVERTISING budgets for 1954 were generally up over 1953 expenditures, according to the 1954 survey of the National Industrial Advertisers Association.* Of a total of 51 industry groups, 34 or 66.7 per cent reported budgets that were larger than their total 1953 expenditures, 13 or 23.5 per cent showed budgets that were smaller, and the remainder showed 1954 budgets equal to 1953 expenditures.

Of the 432 respondent companies, 179 or 41.4 per cent budgeted for a total expenditure of between \$250,000 and \$500,000 in 1954, and 112 or 25.9 per cent planned to spend between \$100,000 and \$250,000. Three companies had budgets of over \$5 million, and at the other end of the scale there were 18 companies with budgets of less than \$25,000.

Technical and trade magazines continue to be the mainstay of most industrial advertisers' budgets. Practically all the reporting companies use them to some extent, and with a clear majority of respondents they represent the biggest single item in the budget.

While the sales manager still has considerable say in budgeting, the vice president in charge of sales or the president, depending on company size, are apparently taking more and more interest in industrial advertising. In 63.9 per cent of the responding companies the budget is approved or reviewed by the president.

Measurement of advertising effectiveness is still something of a catch-as-catch-can operation with most companies, the survey reveals. Inquiries and salesmen's reaction continue to be the major measuring devices, with only a small percentage of respondents using any other method.

1954 Industrial Advertising Budgets: A Summary Report. National Industrial Advertisers Association, 1778 Broadway, New York 19, N. Y. 16 pages, \$2.00.

ON THE BASIS of gross national product and personal consumption data, every baby born in the year 1953 was equipped with a lifetime economic appetite enabling him eventually to consume \$107,000 worth of goods and services, and a creative ability that will produce \$238,000 of wealth.

—THOMAS H. COULTER in an address before the Food Products Club of Chicago

Today's Business Manager: A New Species

JUST AS OUR ordinary life experiences of today bear little resemblance to those of days gone by, so does the nature and character of the business manager of today bear little resemblance to those of 50 or 100 years ago. He is a new kind of animal.

By and large, he gets his authority by merit and he holds it by performance. His interest in the enterprise is impermanent and impersonal. He knows he cannot become rich from his job; he knows he cannot own the business; he knows he can't make his son his successor; he knows that when he reaches a certain age he will be retired.

In his job, he is subjected to pressures from stockholders, from employees, from government, from customers, from competitors, from the general public.

Out of the limitations on his personal stake in the venture and out of the different pressures exerted upon him, the business manager of today is forced to set standards of performance which result in great advances in social progress.

His concept of profits must be that they must come from providing greater values to his customers at lower costs. He must be eager to replace old methods and machines with better ones, eager to improve products and to reduce costs. He must keep his company progressive—responsive to changes in customer demands. If he falters in this, his competitors will get him.

So he operates great research and

development laboratories, striving to make obsolete his present products and processes and procedures. He supports basic research in technical schools and provides scholarships for qualified students in these schools, so that there is a steady flow of new knowledge upon which new techniques will be based.

His business must grow as population and public demand increase. The American public will not put up with shortages of anything. So he must be constantly expanding his producing plants, searching out new sources of raw material supply, training workers, eliminating waste and inefficiency.

His employees are free people, with a high sense of social justice and with boundless ambitions of their own. So he must deal fairly with them in matters of wages, hours and working conditions. Even more important, he must see that each job has importance and dignity, and that each worker derives maximum satisfaction in his job.

In his relations with the general public, he must satisfy them, not just as to the quality and value of his products, but also as to the high character of his motives and ambitions. So he engages in public relations work, contributing not just money but also management skills to charitable and character-building and civic improvement activities. He operates out in the open, in a goldfish bowl.

Within the company, he must be part of a management team, whose interest is strength, progress and per-

petuation of the business. He must train his successor and be constantly on the alert to discover management talent and develop it to management skill.

He must operate at a profit and attract more investors in his business, so that the benefits of ownership are more widespread among all of the people.

What all of this adds up to is constant alertness, constant change, constant progress—the opposite of maintenance of things as they are. And it also means fair dealing, integrity, tolerance, dignity, cooperation. These are the qualities which smooth out the operations of business. I claim no unusual moral virtue for a business manager—he is forced to develop these qualities, because, without them, the complexities are just too much to be handled. But with them, today's business manager is a success—and his success is measured not by wealth and power but by the respect of the community.

The economic system under which he works preserves all the satisfactions there are in personal liberty. It recognizes the dignity of the individual. It rewards meritorious service. Best of all, it works.

What of the future? Is ours now a mature world? With all the pro-

—From an address by ROBERT L. MINCKLER (President, General Petroleum Corp.) before the 19th Management Course in Industrial Relations, Santa Barbara, Calif.

gress of the past 40 years, are we now at a point where the prospects of future growth are dim, where our most important problems will become how to divide up what we have?

Today there are many new things about which we know something, but not much, and which promise abundant opportunities for useful employment and a better life for all the people. Here are a few:

Algae cultivation and utilization	Rain-making
Adhesives	Waste-water recovery
Automation	Elimination of air pollution
Electronics	Ocean-water purification
Fast flame	Scientific irrigation
Fluid hydraulics	Fertilizers
Gas turbines	Soil conditioning
Helicopters	Silicons
Hybrid seeds	Space travel
Instrumentation	Surface finishes
Irradiation of food	High-temperature techniques
Isotopes	Low-temperature techniques
Jet engines	Ultrasonics
Stronger metal fibers	Yeasts and molds
Nuclear power	
Solar energy	
Pest control	
Plastics, resins, glass	

This backlog of physical projects can provide useful employment for our people for as far ahead as we can see. As the results of their work become commonplace and part of our daily lives, there will be other discoveries and other projects which now would seem as fantastic to us as television would have been to our grandfathers.

PRODUCTIVITY MOUNTS: According to the Federal Reserve Board, U.S. industrial efficiency is rising markedly. In the year ending with the first quarter of 1955, productivity (measured in terms of output per man-hour in manufacturing industries) rose by 6 per cent. This compares with an average 3 per cent rise in the period preceding World War II.

Unemployment Compensation Problems: Company Views and Practices

AMONG THE many problems that arise in the area of unemployment compensation, unjustified claims are probably of greatest concern to the average employer. What safeguards do companies use against them? What measures, if any, do they take to reduce the number, amount, or duration of UC benefits? Some interesting data on these questions, as well as a cross-section of employer opinion on UC administration generally, were obtained in a recent survey of 140 companies by the Bureau of National Affairs.

The survey found that, in a high proportion of the companies questioned, protection against unjustified UC claims was given as one reason—though not necessarily the only one—for a number of standard personnel practices, such as exit interviews and consultations with the employee's supervisor in the event of a separation. In practically all companies, payments made at the time of separation, such as severance or vacation pay, are recorded for future UC protection.

Slightly more than half of the larger companies and one-third of the smaller ones regularly obtain a written statement of the reasons for a voluntary quit. When such a statement is obtained, the usual practice is to have it signed by the employee; but 22 per cent of the large companies obtaining statements

and 15 per cent of the small ones have the employee draft the statement himself.

In the case of discharges, practically all companies obtain a written statement of the causes, with UC protection in mind. Generally, the statement is furnished by the employee's immediate supervisor. Sometimes, additional supporting statements are obtained from the department head, superintendent, or the employee himself. Occasionally, statements are also requested of the union steward, physician, personnel manager, discipline board, or supporting witnesses.

How far do companies cooperate with the state unemployment service to guard against unwarranted UC claims? Some room for improvement in this respect was shown by the fact that only two-fifths of the larger companies and one-third of the smaller ones regularly report individual layoffs to the state authorities. Further, when an applicant is referred by the state employment service, though most companies notify the service if he turns the job down, only about half keep any record of the reasons for refusal.

Almost all companies, the survey found, check their separation records each time they receive notice of a benefit claim filed by a former employee, and almost all have at one time or another protested a benefit

claim filed by an ex-employee. Among the many practical suggestions offered as an aid in protesting claims, the respondents stress: (1) Have all the facts relating to the claimant's employment with the company on hand; (2) know the applicability of the UC law; (3) be represented at the hearing by thoroughly competent department heads; (4) attend all hearings; (5) have a consistent company policy; (6) be prepared to appeal, if necessary; and (7) establish a close working relationship with the UC referees and local UC office members.

The respondent companies also advocated a variety of measures for reducing the number, amount, or duration of UC benefits. Among the steps suggested before separation were: Maintain complete and accurate personnel records; review all company policies with a view to stabilizing employment; keep company policies in line with UC regulations. At separation: Conduct exit interviews wherever possible; obtain written, signed termination requests; inform terminating employees of their UC rights and the company's intention to contest any unjust claim. After separation: Investigate all continuing claims and protest all questionable ones; keep a file of laid-off employees and recall them when feasible; notify the UC office in the event that an applicant referred by them refuses the job; maintain a file on rehires; request periodic UC reports showing the charges made to the company; and refer terminated employees to other employers for jobs.

Asked to suggest measures for tightening up state administration of

UC programs, many companies recommended better staffing of state unemployment offices; better checks on claims; stricter enforcement of eligibility requirements; and improved notification procedures. Individual companies can help to ensure more efficient and equitable UC administration by careful auditing of all claim payments, and generally showing more interest in individual cases, the respondents suggested.

Also urged were a number of revisions in UC law, for the most part aiming at limiting employee eligibility for UC to those out of work through no fault of their own. At the same time, however, respondents were generally in favor of upward revision of the amount of benefits, which they viewed as too low in relation to net earnings.

Despite their frequent criticisms of state UC administration, over 90 per cent of the companies surveyed preferred the present system to a national system such as Social Security. The most common argument offered by the proponents of continued state administration was that the individual states are in a better position than the Federal Government to understand and meet local needs. Other advantages claimed for state administration were: It is more efficient and more honest; it keeps a better check on claimants; it maintains a tighter control of funds and is less costly than a national system would be.

A further argument for state administration was that, through the "experience rating" factor, the conscientious state is rewarded while the lax state is penalized. However, though there was a three-to-one

margin in favor of experience rating as an effective incentive to reduce labor turnover, a number of respondents pointed out that it serves to penalize industries which, by their very nature, are unable to regularize employment.

Finally, the companies were asked for their views on the proposal that the basic UC tax rate for all employers be raised, with correspondingly greater credit given for stable

employment. Opinion was found to be fairly equally divided: Those in favor felt that the proposal would encourage employers to greater efforts toward regularizing employment, and at the same time allocate the costs of UC more equitably; those against based their opposition mainly on the grounds that higher UC rates might place an unbearable burden on employers in seasonal or cyclical industries.

—*Personnel Policies Forum Survey No. 30* (Bureau of National Affairs, Inc.), May, 1955.

Electronic Computers: Myth vs. Fact

CONSIDERABLE CONFUSION faces the executive who wants to determine the feasibility and practicability of utilizing computer equipment. At General Electric's Major Appliance Division at Louisville, Ky., we chose to attack the problem with an open mind, proving each step in a master plan as we progressed.

The most common rumors about computers which discourage business executives at the present time are:

"You have to operate a computer 24 hours a day in order to show savings."

"High operating costs of computers make business use prohibitive."

"Only large organizations can afford computers."

"Industry surveys indicate that computers are not practical in business applications."

In due time, we found each of these to be an out-and-out misconception.

Our investigations have shown that

a high-speed digital computer can be operated on even less than a single-shift basis and still return substantial net savings to the users.

It is not the number of hours of use that is important, it is the actual cash savings effected through the use of the equipment. With our Univac system we reach the break-even point when the computer is used an average of only two hours per day. This break-even point does not take into account such intangibles as more prompt reporting, the ability of management to make informed decisions faster, reduced investment in inventory, and so on. If these factors are included, the break-even point could be reached with fewer applications and less computer time.

Our experience shows that electronic computers can be operated by comparatively small industrial organizations. We figured that, in its initial applications alone, ours would pay its way when we had only 5,000 em-

ployees in our five operating departments at Louisville and used the computer about 10 hours a week. Since computers can be operated continuously seven days a week, our initial applications can thus be increased a dozenfold. These increased applications would substantially reduce the employment level at which break-even would be reached, though they would not necessarily reduce it 12 times.

We believe that within a decade organizations with as few as 500 employees will be able to afford to rent a computer at today's prices. At some time in the not too distant future, we expect to use a large-scale computer effectively in each of our five decentralized departments at Louisville.

One of the most important concepts in computer philosophy is the limited perimeter approach. In other words, concentrate first on the smallest possible areas in which savings can be equated to computer systems cost. Select those areas having large amounts of clerical and routine effort and tabulating equipment rentals. By limiting your survey to initial applications the decision whether or not to install a computer can be reached within a reasonably short period of time. Perhaps more important, the results are more comprehensible to profit-conscious management who may possibly be totally uninformed about electronic computer systems.

The initial benefits of installing a computer can best be predetermined by a comparative study of existing operating procedures and computer processing of the same applications. Evaluate possible savings in terms of:

salaries, fringe benefits of clerical workers to be displaced, and the related costs, if recoverable, of occupancy, furniture, and equipment depreciation costs.

Obtain valid figures on the cost of rental or purchases of computer equipment. Include in the survey report sufficient initial application areas to reach a break-even point; enough to convince management that a computer system can pay for itself in terms of direct dollar savings (people off the payroll).

Don't wait for next year's model when savings and experience can be gained by utilizing what is presently available. By using the best that is available today, great benefits can be obtained and, when technological improvements warrant, the earlier model can be replaced. It is possible to rent computer equipment (and even rent with an option to buy) leaving a path open for a change to better equipment should it later become available.

Had we been limiting our plans at GE to the areas of initial application, we might have considered groups of smaller machines. Even so, we should have needed five such systems, and we found that the cost of the equipment and the necessary personnel to operate it were approximately the same as the Univac. However, we are interested not so much in the computer's initial applications as in its possibilities as an integrated, long-range management tool. In one department alone, the management problems already proposed for handling would keep a Univac busy 24 hours a day and most of them appear to be beyond the scope of lesser equipment.

—RODDY F. OSBORN. *The Office*, July, 1955, p. 72:11.

Pitfalls in New-Model Production

THOUGH NEW MODELS may eventually stimulate sales, and pressure of competition may make them necessary, the cost of "starting up" has become the big worry for a lot of managers.

The average medium or small manufacturer is seldom geared for a smooth changeover and finds that the period of reduced production of old models results in red ink before new models flow in sufficient volume.

Errors made in the introduction of new models, or in the installation of new machinery, seem to fall into the following categories:

1. Insufficient lead time is allowed for acquisition and testing of new tooling.

2. Often the pilot plant stage is omitted, and the company tries to go directly from blueprints to a finished mass-produced product.

3. In smaller companies, depth in management is lacking. The introduction of new equipment may require supervision by an executive who is well endowed with flexibility. Hence, a personnel problem may arise when the job of installing equipment is given to a man who has never faced the problems of "getting the bugs out" of a new machine.

The small manufacturer is making two cardinal mistakes in preparing for a model changeover, according to Alex Lewyt, president of the Lewyt Corp. Mr. Lewyt says the small producer often indulges in too much wishful thinking about the cost of the project and hence underestimates the costs.

Another mistake, he says, is the placing of orders for equipment with unreliable sources, or with machinery makers who do not guarantee to put the equipment in operating condition.

—SIDNEY FISH in *Journal of Commerce* 7/12/55

Working Life and Retirement— The Lengthening Span

ACCORDING TO THE tables of working life for men developed by the Bureau of Labor Statistics, from 1900 to the mid-century point, the average span of life for men in the U.S. rose from about 50 years to about 65. The economic corollary, and one responsible in part for the rise in U.S. productivity, was an increase in the average working period in a man's life from 32 to 42 years. Even more dramatic: by the year 2000 an individual's average life expectancy may go to 73; the average working period, however, because of increasing retirement, will go only to 45 years.

Because of greater longevity the span of retirement has also increased. In 1900 a worker aged 20 could—as an average—expect to live another 42 years, and of those years work about 39. By 1950 his life expectancy had increased seven years; but thanks to pensions, his working life had increased only four years—leaving six years for him to spend in retirement. By the year 2000, the average retirement period will lengthen to about nine years, or three times what it was in 1900.

—*Fortune* 7/55

Using Guarantees to Boost Your Sales

A GUARANTEE can be a powerful inducement to buy—or merely a scrap of paper. The difference turns largely on whether the guarantee fills a real need in a sales program or is merely a rubber stamp left over from previous years. Today aggressive and successful promotions of more liberal guarantees are being featured in a variety of consumer goods lines. Even if only one company starts featuring a guarantee, the impact can multiply quickly.

Companies often go far beyond written terms in order to keep customers satisfied, though they don't make an expensive blanket commitment to all purchasers. Manufacturers of industrial goods, particularly, are recognizing the need for a more flexible policy on adjustments.

Money-back guarantees attract new customers for the simple reason that they eliminate risk in buying. Yet despite the evidence, many companies shy away from money-back offers. The big problem in many cases remains uncertainty about the number of returns—and effect on the sales budget. Companies using money-back guarantees for the first time can often get a rough idea of what to expect by checking the experience of other firms with similar products.

For suppliers of industrial goods and equipment, today's question is not so much what warranty terms should be, but rather how liberal a company can be in honoring claims. Attention centers, of course, on how to handle

borderline cases. Often it is hard to determine whether a part has failed because it was defective—or through misuse. Or a product may fail after the warranty period, but well before the end of its normally useful life. Where the customer is an unusually good prospect for other products in their lines, some companies are liberal in settling claims. Liberality is usual, too, if generous treatment of the claim will help their reputation in a new territory. In general, where there's a good chance that the purchaser is justified, companies are increasingly inclined to share the cost of replacing defective parts out of warranty.

Even the most cautious companies sometimes launch new products before the design bugs are completely ironed out. And very often the warranty doesn't cover the labor costs involved in repairs or servicing. But the consensus of manufacturers in both appliances and industrial equipment lines appears to be that where new models don't work, the best course is to forget the warranty and provide free service as long as it's needed.

Speeding settlement of claims is vitally important today. Purchasers of industrial as well as consumer goods know that there are almost no shortages and expect prompt service. In fact, a survey by a mail-order house last year indicated most of its customers were more interested in getting fast repairs on appliances than in whether the manufacturer would pay

for them. To help you check whether your claims-settlement process could be streamlined, here are some steps other companies have found important:

Simplify the paperwork involved in factory repair jobs. Several manufacturers noted that analysis had found their record systems overcomplicated, and that overhauling procedure enabled them to get repairs out much more quickly.

Send parts books on new models to dealers and distributors promptly. This should be done as soon as the model has been introduced.

Give dealers responsibility for settling in-warranty claims, and help them to exercise quick judgment. Many dealers move slowly in making adjustments because they are not sure whether they will be reimbursed.

—Staff Report: Sales (Research Institute of America, Inc., 589 Fifth Avenue, New York 17, N. Y.), June 15, 1955.

When competition is sharp, companies in both industrial and consumer-goods lines are more vulnerable to pressure from dissatisfied customers if products don't perform as expected. Some industrial customers invariably try to take advantage of legal loopholes in order to get out of commitments when their own business is bad. Action against manufacturers may be based on breach of express—or implied—warranty.

There's no 100 per cent protection against breach of warranty suits, but much unnecessary and expensive litigation will be avoided if employees make no claims for the product that can't be supported or that could be misconstrued by the purchaser. Control of sales promotion copy and proper training of salesmen will go far toward preventing trouble.

Executive Selection: How Useful Are Personality Tests?

ARE PSYCHOLOGICAL tests much help in selecting executives?

Executives themselves, as judged by their actions, have varied widely in their answer to this question. Several important companies rely heavily on tests ranging from simple performance tests to the elaborate ones that measure personality characteristics. Others steer away from tests of all sorts, citing a sad experience or two as complete justification for ignoring any pos-

sible help they might receive, or any possible progress that has been made.

Perhaps because it strikes close to the "soul" of the individual, perhaps because everybody feels his own intuition is to be trusted in this area, or perhaps because it begins to get into the higher executive levels, personality testing in this field has created more than its share of suspicion. Actually, no test that deals in any way with that peculiar animal,

the human being, is perfect. The selection of personnel, especially at the higher levels of management, is in any case a difficult task, requiring the maximum exercise of executive judgment. Nevertheless, testing today will give you another tool to help you reach the best decision; it will increase the chances of your judgment being right.

The definition of the personality characteristics vital to executive success is comparable to, and dependent upon, the difficulty in defining success itself. From a practical standpoint, two stages in personnel selection must be recognized. You must first define the required qualities, and then you must find out how they are possessed by a specific individual. The second step can almost always be handled effectively by an objective test in the hands of an expert psychologist. The first step is another matter.

It is up to you to decide which are the important qualities which should be used as a basis for selection. Theoretically you can do this by testing men who you know are successful, and seeing which tests have the highest correlation with their degree of success. This is easy if you have a large enough group of people who can serve as a base, but in most executive placement the sample is small. Thus, the selection of criteria depends largely on refined individual judgment.

There is haziness and phoniness in the testing field, and yet there is much that is of help to the executive. How can you find your way through the wilderness?

When you are called upon to judge the value of a test in meeting your problem, there is more to go on than

your personal attitude, or that of the psychologist. There are available, if it is a well-constructed test, facts behind it that will help you judge its validity, and you are entitled to know those facts. What sample group was used to authenticate the test? Is it a group similar to the one you want tested? A test for salesmen that has been standardized on the basis of the results with a group of behind-the-counter people might not be very good in selecting door-to-door salesmen. While you can rarely get a test that uses exactly your group as a sample, the closer you come to it the more likely you are to achieve the kind of results you want.

Then you can ask about the predictive value of a test. How great a correlation is there between success and score? No test is perfect, but just about all of them are much better than the result of routine interviewing procedures, and usually better than the interviewing done by even an experienced executive. But most important of all, the combination of good judgment backed up by a pertinent test and its results will lead to the best possible results.

How can you reach the right kind of consultant? The first thing, most professional men agree, is to see that your consultant has professional standing as evidenced by membership in the American Psychological Association. While this does not assure reputability, you may be sure that the rolls include almost all psychologists of any standing. Another factor is an approach of humility on the part of the potential consultant. There are no guarantees in this field, nor are

any warranted. Be suspicious of the man who makes either flat promises or off-the-cuff recommendations. Few situations are exactly alike, and slight differences in details can lead to large variations in solutions.

Talk at some length to the consultant you are considering. You will be asking him for advice which you will have to take largely on trust. Be sure the two of you can get along together. Make sure that your consultant has had some experience in the general area in which you want him to work.

It may turn out that you are not in a position to use these methods, especially in filling the higher-level

jobs in your firm. Your needs may be so specialized and your turnover so small that there aren't enough data from which to draw your conclusions. Or the cost of study may outweigh all of the potential savings.

In any case, remember that the final decision is yours. As an executive, you have an important prerogative. For your own good, exercise it: be skeptical of all claims, and the broader they are, the more skeptical you should be. But don't swing to the other extreme, and become obstinate. There is a happy medium, and that's the place a competent executive should be able to find for himself.

—*Management Methods*, June, 1955, p. 24: 7.

"Committee Method" for Selecting Supervisors

AT THE Cannon Electric Company, Los Angeles, the filling of supervisory vacancies is now the responsibility of a newly-established supervisory selection committee, charged with "assuring the selection of the best qualified personnel for all levels of supervision."

The selection committee has two permanent members, one a company vice president, and the other the industrial relations director. Other members are the division head in whose department the appointment is to be made, and the department head directly concerned with the proposed promotion.

To insure a large field of candidates for any job opening, the head of the division in which the opening occurs is required to notify the committee 60 days in advance and to select candidates for the job. The committee has power not only to appraise the candidates' qualifications, but also to select candidates from other divisions.

Among the procedures set up to handle this selection program are: (1) Employee folders and other records are carefully reviewed to determine qualifications; (2) the industrial relations director contacts other divisions to seek possible qualified employees for promotion; (3) the qualifications of each candidate are listed on a special appraisal form which is reviewed by each committeeman; (4) not less than two or more than five of the highest-rated candidates are asked to participate in a psychological evaluation; and (5) after reviewing the qualifications of all the candidates, the committee makes its recommendations to the division head, who then designates the successful candidate for the position in question.

—F. C. MINAKER in *American Business* 6/55

Industry's No. 1 Health Hazard

ACCORDING TO a study in the N.Y. State Department of Labor's *Industrial Bulletin*, skin disorders account for 65 per cent of all industrial disease and cost U.S. industry over \$100 million yearly.

Analysis of 41,000 cases of skin disorders made by the workmen's compensation boards of several states showed that 18.8 per cent were caused by petroleum products and greases, 11.7 per cent by various alkalis and cements, and 7.8 per cent by solvents. Mechanics and machinists were especially susceptible to skin troubles, usually because of the bad habit of using parts degreasers like kerosene, varsol, and other strong alkaline solvents for removing grease from hands.

At Ford Instrument Co. (Long Island City, N.Y.), the incidence of skin disorders has been drastically reduced through a cleanliness educational program. The importance of personal hygiene is impressed upon the employee at his pre-employment physical, and the subject is emphasized at regular safety meetings and by dramatic posters in washrooms and in the plant.

Correct washing procedure is explained to the workers, and employees exposed to paints, solvents, and other toxic materials and those working with coolants and cutting compounds are allowed five-minute wash-up periods before lunch and before leaving the job. Wash fountains and sinks are located, replaced, and shifted as work areas change, so that washing facilities will always be within easy reach. Over 30 porters and matrons keep the plant, washrooms, and restrooms clean, and employees are kept interested in environmental cleaning through house-keeping contests with regular awards for winners.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 7/2/55

"Segmented Automation"—New Concept in Manufacturing

"SEGMENTED AUTOMATION"—the use of banked parts between automatic machines—will probably be taking a place in the lexicon of modern manufacturing.

The utility of segmented automation is obvious in automatic operations where all the machines can't be kept running all the time. Because of the banks between segments and provision of space and handling equipment to feed from the banks, only the affected segment goes down. Other machines continue to build up a bank back of the down machine, while machines ahead of it draw from the banks already built up.

In this respect, Chevrolet's new V-8 engine plant in Flint, Mich., is an interesting continuation of the company's philosophy: plenty of duplicate capacity to keep that voracious line filled. The new V-8 automation segments combine previously individual operations into clusters, but each cluster is still thought of as an individual machine which can be down without stopping the flow of the line.

The provision for space between segments also has other advantages. More stations can be added in the event of engineering changes in the product without uprooting the entire line, and inspection stations can be added where desired without displacement of machines.

—*Steel* 2/28/55

Observing People: One Key to Leadership

OBSERVING PEOPLE accurately is a most important part of successful supervision. If he is to have a satisfied and productive workforce, the supervisor must be able to recognize the various kinds of personalities in his department. In this sense, observing includes evaluating. It requires, beyond skill with the eyes, (a) listening to each person, (b) listening (with discrimination) to a man's fellow employees, (c) studying factual data about an employee, (d) having the basic motivation of liking people.

Of all the means by which a foreman can come to know employees, listening is most important.

In Loyola University's study of human relations in the meat-packing industry, Swift-UPWA workers indicated that a major mark of a successful foreman is that "he listens." For instance, one worker said: "Things are going pretty good in our shop. We have few grievances. And you can talk to the foreman." Another, a young war veteran, observed: "It's hard to be a foreman on our floor. It's a job on a chain . . . But the foremen are pretty nice . . . You can argue with them."

In no sense is it implied that the foreman should—or needs to—"manipulate" workers for greater productivity. By observing is meant an effort toward sincere understanding. The foreman cannot direct his men for the common good of the factory unless he can observe and understand.

It is worth while to examine the structure of this ability.

A good foreman usually ranks high in:

1. *Experience.* Understanding requires mature experience in dealing with people.

2. *Similarity to his work group.* It is helpful for one who would understand a given personality to resemble the other in some degree. The foreman is usually rather close to his work group.

3. *Complex personality.* If the foreman must understand some complex personality, it may help him to be complex himself.

4. *Insight.* Understanding others requires recognition of one's own motives, inconsistencies, and peculiarities.

5. *Basic intelligence.* Other things being equal, the more intelligent foreman will observe more accurately.

6. *Detachment.* The foreman, while he should be sympathetic, must be able also to stand off and evaluate his group.

7. *Sociability.* This gift is plainly indispensable.

8. *Respect for human nature.* Here is the most important quality of all. If the foreman really loves his fellow men, it will elicit the confidence prerequisite to understanding.

These qualifications are rarely present in equal degrees. A man deficient in one may be able to compensate with the others.

One dangerous quality is prejudice or oversimplified judgment. A foreman of a gang of Negroes may say, "All my employees are just children," because he has observed some acting

playfully. Such a man will misjudge Negro employees who are mature.

It is quite possible to train foremen to become better observers. Here are some general suggestions:

Writing descriptions. In a training class, foremen can be asked to write a description of the physical and personal characteristics, of each employee in their departments. These descriptions can be discussed and informally rated. Length, number of details, clarity, apparent thoroughness and accuracy, will be marks of a good description.

Analysis. The foremen might be asked to bring in descriptions of their "best" and "worst" workers, which the class can analyze in the light of such questions as:

Does the foreman fail to note the good qualities of his worst worker, and the bad qualities of his best?

Does he write more about the best worker? Is the worker "best" partly because he knows him better?

Does he know as much about "aver-

—THEODORE V. PURCELL, S.J. *Harvard Business Review*, March-April 1955, p. 90:11.

age" workers as about the best and worst?

Evaluation. The class might be presented with recordings, pictures, or movies of work situations, and be asked to evaluate what they see and hear. These evaluations can be compared with the fuller information and data about such workers possessed by the instructor.

Free discussion by the foremen about the whole question of observing people will be of the greatest training value. The foremen may raise objections, present anecdotes of their own successes and failures.

Role playing might be used. Two foremen might enact a foreman-worker scene. The class might then be requested to evaluate the way the roles were played.

Observing people can greatly help a foreman toward better understanding of workers. For those human problems of a plant which can be solved, understanding of people is a prerequisite.

Don't Blame the Suggestion System!

SUGGESTION SYSTEMS are building up into big business. Both for expansion and for improved efficiency, companies are increasingly recognizing their need to tap the huge reservoir of ideas from employees close to everyday operations. Each year, more companies install suggestion systems.

Yet many strange reasons are still given for not installing a suggestion system or for not supporting it after

installation. There's the executive who feels no formalities are necessary in his plant; any man with an idea can take it to the proper person. A second executive asserts, "Any company that installs a suggestion system thereby admits it is lacking in certain qualifications of supervision." A third believes that his foremen will feel the plan undermines their authority.

The principal objections, however,

boil down to these: Inability to calculate awards equitably; discrimination between supervisors and employees; possible resentment against rejection of ideas; difficulty in deciding eligibility; possible overlapping between employees' suggestions and company plans; embarrassment to supervision.

Not one of these obstacles, however, is inherent in a soundly devised, wisely installed, and sensibly administered system.

The objectors seem to fall into types, the first of which is conscientious and loyal beyond question. Unequivocally, for this type, every employee has the moral obligation to suggest every possible improvement without expectation of reward. This position may be logical in theory, but it does not work out in practice. The law of diminishing returns operates to extinguish enthusiasm for continually contributing ideas without personal recognition. When recognition is restricted to potential promotion or pay increase, fulfillment is not frequent enough to keep the urge to suggest alive. The suggestion system operates as an incentive plan.

Another type of objector is the manual-bound proceduralist who vehemently opposes recording employees' suggestions. He talks about teamwork—but a careful examination usually shows him in the driver's seat. The team he has in mind "gees" when he "gees" and "haws" when he "haws."

A supervisor of this type needs to remember that his record is made by the people who work under him. Nowhere in the whole supervisor-employee relationship is there any failure more damaging than the failure of employees to suggest ideas for better

methods, lowered costs, and increased production—a failure that endangers the company's capacity to hold its place in competition.

This fact is well known and translated into action by the two largest automotive companies, General Motors and Ford. In 1954, General Motors' employees dropped 192,030 suggestions in the suggestion boxes—exceeding the 1953 record by more than 10,000 suggestions. For suggestions accepted, GM paid over \$2 million.

The Ford Motor Company operates both a Suggestion Plan for employees and a Proposal Plan for management, the difference being that management ideas are recognized through means other than money awards. Through these two plans in 1954 Ford Motor Company received 108,506 ideas. Employees received \$750,000 in awards.

Granted, these are industrial giants. Yet, bigness is not really an advantage in operating a suggestion system. Among its concomitants are impersonal relationships among great numbers of strangers, the pressure of time-studied production, preoccupation with outside interests, the difficulty of influencing masses of employees favorably towards a suggestion system. These barriers need not exist in small companies or in small units of a company. The 100-man plant has a real advantage over the 500-man plant, the 500-man plant over the 5,000-man plant, and so on.

Employees cannot be compelled to exercise initiative, ingenuity, or resourcefulness. Plus performance can only be invited and encouraged. The goal of a suggestion system should be to provide supervisors with a facility through which the ideas of their em-

employees may be evaluated and by which they, as supervisors, may be recognized for the extra effort they have stimulated. The system provides an incentive plan. The procedures are not intended to bypass the supervisor nor deny his competence. They are intended to relieve him of records and routine while crediting him for the ingenuity and alertness he has aroused in his workforce. They represent also a guarantee that an idea from one of his group will receive the same careful analysis as though it came from a member of higher management.

It takes money, time, and effort to install and administer a suggestion system. Despite that, or perhaps because of that, the comptroller of the Socony-Vacuum Oil Company stated last year, after an analysis of the costs of the company's suggestion system: "I look upon this as an operation which has paid out promptly and has

—From an address by WILLIAM S. WILCOX before the Suggestion Plans Association of Southern California.

provided an adequate return. . . . It does seem that most managements would be interested in an investment which can pay out in five years and earn 800 per cent over 20 years." Comparable results seem possible for any company that has a suggestion system, regardless of the type of industry, the size of the firm, or the technical processes of production.

The raw material of this big suggestion system business is the intelligence and ingenuity of a great number of rank-and-file employees; the system itself is the facility for converting this material into usable suggestions. These are the constants. The power provided by management support—that is the variable. Supervision—even higher management—may fail the suggestion system. But no suggestion system, properly installed as a business venture for business purposes, has ever let management down.

Executive Promotions—How One Company Spreads the Word

FORMAL ANNOUNCEMENT CARDS lend added prestige to promotions of key personnel above the supervisory level at the American Brake Shoe Company. The cards are sent to the executive's fellow managers, to all department heads, the personnel division, receptionists, etc. Announcements are also featured in the employee magazine, and special notices are posted in the offices. Thus, confusion is avoided and contacts simplified as the executive starts his new job.

On the day of his promotion he gets about 100 additional cards, to be sent to business contacts who should be informed of the change, to friends, relatives, etc.

The announcement cards are printed when appointments are decided, well in advance of the time they take effect.

Not only do the cards have practical value in facilitating easy contacts, but they pay off in the good will they create.

—Management Methods 6/55

Designing the Group Health Insurance Program

THOUGH it is not uncommon for an employer to make available to his employees a group health insurance plan in which the entire cost is paid for by them through payroll deductions, a great many companies consider it good business to contribute part or all of the cost of a non-occupational disability program of this kind.

What would constitute an ideal health insurance program for the employees of a given industrial company and their dependents? Obviously, a great deal depends nowadays on the group's location, the employer's ability to finance or help finance a program, and the specifications for welfare plans arrived at under union-agreement negotiations. Within the limits of these considerations, an ideal health insurance program for any company would make provision for all contingencies—loss of income because of non-occupational accident or sickness, costs of hospitalization and necessary surgery, doctor's visits, and the impact of expenses resulting from the more serious and protracted diseases or major accidents.

The problem of income lost during absence from work should be met through the provision of weekly accident and sickness benefits. The amount of weekly benefit might be not less than two-thirds of earnings, with a maximum of \$10 weekly and a maximum of \$60. In smaller companies

where 25 to 50 persons are insured, the maximum might well be limited to \$40 weekly. A plan with a 26-week limit and a waiting period of seven days for both accidents and sickness is generally considered standard for this form of coverage.

Where hospital expense insurance is written on a cash benefit basis, the maximum amount of daily room and board benefit should be in a satisfactory relationship to charges made by hospitals in the area in which the employees are located. It may range from a low of \$5 to as much as \$15 daily. The maximum benefit period may be 31, 70, 120 or 180 days, except in cases where fewer than 50 persons are insured. In these cases a maximum of 70 days is considered preferable. Maximum reimbursement for additional hospital charges can be provided up to 20 times the room and board benefit, or 20 times plus 75 per cent of the excess charges. Maternity benefits of either 10 or 15 times the room and board benefit are also available.

Surgical benefits, ordinarily written in conjunction with hospital expense, are issued on a variety of schedules, and the one selected should conform generally with the charges made by physicians in the vicinity of the employees. A schedule providing a maximum reimbursement of \$200 is regarded as the standard, but multiples may be written to provide maxima of \$120, \$160, \$240, and \$300, depend-

ent upon the circumstances involved.

Medical expense, if written on a cash benefit basis, is often written on a comprehensive plan, though most medical expense benefits cover only hospitalized cases. The most popular allowances are \$3 for office and hospital visits and \$5 when the doctor visits the home. Provision for X-ray and laboratory expense may be made in conjunction with medical expense.

With the exception of weekly indemnity, all of the coverages mentioned are available to employees' dependents as well as to employees, and the combination of hospital, surgical and medical expense is the most common.

There are supplemental coverages available for polio and supplemental accident expense, but these are not generally regarded as essential to the basic plan described. They are, however, often included in negotiated demands, and, of course, are always desirable as adjuncts to the fundamental protection.

The newest and least developed form of coverage is major medical expense insurance, which as yet can hardly be said to be out of the experimental stage, although it is estimated that close to a million persons are already covered by it.

As originally issued, major medical expense insurance was designed to supplement a basic plan for hospital, surgical and medical expense benefits. The area of experimentation has been broadened, however, so that either a hospital or a surgical expense plan, or a combination of them, may now be supplemented by major medical cover-

age. Two additional types of plans have also been devised by the insurance companies, (1) major medical expense without a basic plan, and (2) major medical expense supplementing Blue Cross and Blue Shield plans.

The major medical program which is being most widely offered to, and accepted by, employers today is the so-called comprehensive plan, which provides benefits for non-occupational disabilities both in and out of hospital.

Where there is no basic plan, a deductible scaled with income is often used. For example, a deductible might be equal to 10 per cent of the employee's normal monthly earnings, with such 10 per cent to equal a minimum of \$25 up to a maximum of \$250.

Although standard maxima for major medical expense plans are \$2,500 and \$5,000, the maximum may be chosen in any multiple of \$500 from \$2,000 to \$5,000, inclusive, and may be varied for different classes of employees. The trend is toward a liberalization of the maximum rule on a limited basis, so that plans are being offered, in appropriate cases, with a \$10,000 maximum benefit. The \$10,000 maximum may be offered to select groups, particularly larger ones where circumstances such as earnings of the employees to be covered justify the amount. A minimum of 200 insured employees in a plan may be taken as a guide. Groups qualifying for the \$10,000 maximum may choose any multiple of \$500 from \$5,000 to \$10,000 inclusive, and amounts may be varied for different classes of employees.

—From an address by A. L. KIRKPATRICK (Manager, Insurance Department, U. S. Chamber of Commerce) before the 19th Annual Meeting of the Industrial Hygiene Foundation.

The Safety Engineer in Industry: A Survey

YEARS AGO many managements felt that accident prevention efforts were a mere adjunct to the work of the industrial relations department, something akin to welfare work. Today, of course, accident prevention efforts are considered simply good business practice, a part of the productive operation of the company.

According to the findings of a survey* conducted among its members by the American Society of Safety Engineers, the efficiency of accident prevention efforts is significantly greater in companies where the safety engineer and the safety department operate directly under the supervision of a top management executive. Reporting to and operating under the direction of a lesser management executive appears on the basis of this study to reduce the effectiveness of the safety engineer and his program. Moreover, frequency and severity injury rates are lower in those cases where the safety engineer makes accident prevention decisions as an individual, not merely as a member of a group.

The ASSE survey covered a total of 418 safety engineers in six states, selected to reflect accurately both geographic and industry distribution. Here are some of the specific findings:

The typical respondent, it was found, guides the safety program in a plant or branch plant employing 1,100 persons. His corporate title is Safety

Engineer. He has had three years of college education, supplemented by a year of specialized safety training in an accredited college or university. He has had 11 to 12 years' experience in industrial safety engineering.

His direct boss is the works manager, but he must contact and get approval from the general manager for expenditures for his safety program. He is a member of a group that decides company policy on accident control. His salary is between \$6,000 and \$7,000 per year. His company has a lost time frequency rate of 7.5 and a lost time severity rate of 0.58, as against the national averages of 9.30 and 0.94 respectively, as reported by the National Safety Council for the same year.

Approximately 44.3 per cent of the respondents in the survey report directly to a member of top management—president, vice president, general manager, finance director, or works manager. The remaining 55.7 per cent report directly to a member of operating management—plant engineer, production manager, factory superintendent, industrial relations director, or others. There appears to be a direct relationship between the extent of the safety engineer's education and his position in the organizational structure of the company. Also, the more experienced safety engineers are more likely to work directly with members of top management.

Frequency rate and severity of lost time injuries, used as a basis for

*Where Is Your Safety Engineer? A Survey on the Occupation Position of the Safety Engineer in American Industry. Society for the Advancement of Management, 74 Fifth Avenue, New York 11, N. Y. 1953.

measuring the efficiency of accident-control efforts, are considerably lower in those plants where the safety engineer reports directly to a member of top management. Frequency rates between 4.5 and 5.9 and severity rates between 0.24 and 0.39 are reported in companies where the safety engineer reports to the company president, vice president, general manager, or works manager; but in firms where he reports to the production manager, factory superintendent, industrial relations director, or plant engineer the frequency rates range from 8.6 to 11.0 and severity rates from 0.86 to 1.14. These data reflect the importance placed by management in the safety engineering program, and the administrative and technical abilities of the safety engineer. Lower frequency and severity rates are found in those companies where the safety engineer has the greater experience.

In the stronger safety programs, where the safety engineer makes his own safety policy decisions, both fre-

quency and severity injury rates are generally lower (averaging 4.8 and 0.46 respectively) than in programs where safety policy is determined by a group (9.5 and 0.98).

Fifty-three of the respondents receive salaries over \$10,000, 22 from \$9-\$10,000, 44 from \$8-\$9,000, 71 from \$7-\$8,000, 97 from \$6-\$7,000, 78 from \$5-\$6,000, and 37 below \$5,000 a year. Safety engineers who make individual decisions on safety policy have a salary average 53 per cent higher than those who make decisions only as a member of a group. Salary levels also vary, as might be expected, directly with the safety engineer's years of experience, ranging from \$4,500 for engineers with one to two years' experience to more than \$9,000 for those with 21 years or more. A direct relationship also exists between the organizational position of the safety engineer and his salary level, with engineers who report to the company president receiving an average annual salary of \$10,300.

Six Key Steps in Automation Planning

HOW CAN YOU determine whether your company is ready to take advantage of automation? While there is no rule of thumb for getting a valid answer, it is possible to list six factors which should be considered and investigated before any attempt is made to set up an automation program.

1. *Analyze plant and building.* Existing plants, though old, may very well be used for automation, particularly partial automation. The building

should in any case be suitable for straight-line production and should permit the volume of production that is anticipated in the next decade and beyond.

Despite the current trend toward the sprawling one-story plants, for some types of products (food, for example) a multi-story unit may actually work to the advantage of automation in such operations as gravity feed, overhead storage, etc. However, the

single-story plant does lend itself well to automation because it facilitates delivery of raw materials into the process as well as transfer from the end of the line to storage and transportation facilities.

2. *Analyze production.* While seasonal production can often be automated, at least partially, every effort should be made to keep production more stable and uniform throughout the year. Frequently this has been accomplished by manufacturing another item during the principal product's slack season.

The product itself should have a basic design that will remain fairly constant for a period of three or more years. If the product must be changed to adapt it to automation, such a change or new design should be based upon a market analysis for assurance of customer acceptance of the product.

Naturally, the age, condition, and design of the present equipment looms large in any automation analysis. In most cases it would be uneconomical to convert very old equipment to automation. The condition of relatively new equipment should be carefully considered before it is revised or incorporated into the line. However, most of the time such equipment can be used as it is, or with slight modifications.

3. *Analyze the labor force.* It is important to consider the qualifications and capabilities of the working force, how the workers can be adapted to or trained for automation, and—perhaps most important—the attitude of workers and unions toward automation. It is management's responsibility to condition employees for automation and to explain its advantages, where

workers will fit into that program, and how they will benefit from that program. Otherwise, dissatisfaction can be expected. In some cases, misunderstandings have actually led to direct sabotage of management's efforts to install automated processes.

4. *Analyze production and labor costs.* Obviously, if labor cost is very high in comparison to materials cost, then the predominant effort should be directed toward minimizing that labor cost by raising the unit productivity per worker hour. On the other hand, if the materials cost is much higher than labor, then emphasis should be on keeping rejects to a minimum by improving the efficient use of materials, or possibly by substitute materials.

Another cost factor to analyze is the relation of inspection costs (including supervision) to total labor costs; if inspection costs are high or supervision costs are high, it is probable that these costs can be cut considerably with automation because, again, primary results of automation are uniformity and high quality of product. In line with that, automatic inspection techniques can be installed to help cut down slow and costly manual inspection.

5. *Analyze capital.* The trend of the company's financial health should be plotted over the past years with particular reference to manufacturing costs, earnings, and the trend of reserve funds, which can be a major source of capital for an automation development program.

The type of program which is finally set up will be governed by what the company can reasonably handle without impairing its financial

health. In any case, the automation program should be planned so that high-cost operations would be automated first.

6. *Analyze your future.* No company can or should embark upon any automation program without carefully considering whether demand for the present product is likely to increase, whether new or substitute products may be expected to provide new competition, or whether the product may just naturally become obsolete.

If it is the company's desire to widen the market and increase sales, it can do so only through lowering the sales price. This means that a broad automation program of reducing total and unit manufacturing costs should be considered. If it seems probable that increasing competition will force prices down, it may be wise to plan an automation cost-reducing program just as insurance toward maintaining the company's future competitive position in the market.

—C. E. EVANSON. *Automation*, June, 1955, p. 39:7.

ABC's of a Sound Safety Program

SAFETY PROGRAMS must be planned in detail to meet the needs of individual plants, but in every plant, large or small, the program must contain certain basic elements if it is to be successful. Here are the essentials as outlined by Wesley M. Graff, supervisor of safety for United States Rubber Company, before a recent conference of plant industrial relations men and safety supervisors.

1. *Advisory safety committee*, made up as follows: Factory manager, chairman; safety supervisor, secretary; plant superintendent, plant engineer, materials handling superintendent, industrial engineering manager, industrial relations manager, product control manager. Functions: to establish policies to effectuate program; to evaluate plant safety performance; and to evaluate plant's progress in assimilating the safety program.

2. *Safety education of supervision.* This should be conducted by the safety supervisor for all members of supervision, and should cover fundamentals of accident prevention and methods for their application.

3. *Coordinated program to produce safe workers.* Aims: Selection and placement through establishment of job requirement standards and pre-placement physical examinations; safety indoctrination for new employees; preparation of written safe operating procedures; special safety training for hazardous jobs; general safety training through regular departmental meetings led by foremen.

4. *Accident reporting, investigation, and analyzing program.* This should include investigation of serious accidents by the advisory committee and of minor accidents by foremen.

5. *Safety inspection rating program*, involving evaluation of the safety performance of each individual department in the plant.

6. *Safety promotional campaigns*, comprising contests to stimulate interest in safety and continual publicity to maintain it.

—*Dun's Review and Modern Industry* 6/55

Adding Major Medical Coverage to Your Insurance Plan

THERE ARE a score of approaches to a logical extension of group hospital and surgical insurance. While the basic concept of the available plans is the same, provisions vary.

In determining the proper deductible—which is one of the most important factors in the plan—the first requirement is to learn the adequacy of the basic hospital and surgical plan. To measure this, it is necessary to examine all claims paid for a given period in order to calculate the average payment as compared with the average medical bill. Bills for charges which are not covered by the basic plan should also be examined.

If Blue Cross and Blue Shield comprise the basic plan, it is useful to know how closely participating surgeons follow the salary provisions. Under some plans single individuals earning less than \$2,500 or employees with a family earning under \$5,000 are theoretically provided the full cost of surgical treatment, but there is a growing tendency among some physicians to charge the individual an amount in excess of his agreed fee. If the majority of employees earn less than \$5,000 and if surgeons are adhering to their agreement, this is important in determining the amount of the deductible.

Salaries must be analyzed also, since

a major factor in the total medical bill is the physician's charge, which is often based on his estimate of the patient's ability to pay.

The composition of the salary variation should also be considered carefully in choosing among the several types of deductible. The type chosen should exclude average benefits and reflect the ability of the higher income group to pay a larger share of the bill. The deductible, in general, should be as high as is possible, because it is an important factor in the premium.

No two insurance companies are writing exactly the same plan at present. The plans differ in interpretation of maximum benefit and in the definition of a disability period. Some plans have no restriction on pre-existing conditions; others exclude benefits for those disabilities for which treatment has been received. Exclusions should be carefully examined.

Some plans are radically different. One company offers a plan which does away with the basic hospital and surgical coverage. It provides instead a benefit of 75 per cent of all hospital charges with no deductible; for charges incurred out of the hospital, a deductible is used along with the 75 per cent coinsurance feature.

If the plan is non-contributory

fewer considerations are involved, since a contributory plan has to be sold to the employee.

At present, the market for catastrophe coverage is limited to the carrier for the existing group insurance; or, if Blue Cross and Blue Shield are in force, to the companies that are willing to write the coverage in addition to Blue Cross and Blue Shield.

If the plan developed differs from the usual policy written by the insurance carrier, special negotiation will be needed. Because catastrophe coverage is new, however, it should generally be designed well within the framework of the average plans offered. It

is within this area that the largest amount of experience will develop, and consequently a more stable premium will result.

The success of this type of coverage rests to a great extent on the way it is sold, explained, and administered. A clear explanation of group insurance must be made to the employees; they must be made to realize that abuse of the coverage can curtail the benefits. This education, plus a running account of claims paid, will help to provide adequate coverage, to make a satisfactory risk for the insurance company, and to yield the maximum benefit in industrial relations.

—RICHARD N. FOULK. *Best's Insurance News*, May, 1955, p. 107:3.

Records Retention—A Survey of Current Practices

WRITTEN RECORDS RETENTION schedules are maintained in 31 out of 45 companies in the St. Louis area participating recently in a survey conducted by the St. Louis chapter of the National Office Management Association.

In 13 of the 31 companies, the office manager is responsible for following the schedule, and in six the treasurer or secretary; but with increasing company size, the survey found, this function is discharged by those most directly concerned with the work.

In only six of the companies was the schedule more than five years old; another six reported that their schedules had been in existence from two to five years, and the remaining 19 companies had schedules that were less than two years old. In 17 companies the schedule is re-evaluated annually, and in three re-evaluation takes place every two years. Eight other companies reported that though no definite time is set for re-evaluation, changes are made whenever necessary.

Considerable variations in the length of time "major" records are kept were uncovered by the survey. Between five and six years seems to be the favored period for such items as accounts receivable invoice copies, payroll checks, regular checks or drafts, and outside correspondence. On the other hand, accounts payable invoices, employee earnings records, and official inventories are frequently kept 10 years or more. Such space-consuming but relatively unimportant records as time cards, freight bills, bills of lading, and customers' orders are generally scrapped within one to three years.

Of the responding companies, only eight report that they keep more than one copy of any major (i.e. bulky) record, and only 10 keep vital or important records in a separate location as protection from fire or

bombing. However, in 28 companies some form of special fire protection, such as safes, fireproof trays, fireproof steel files, and fireproof vaults, is used.

Fourteen companies felt that they were keeping their records longer than audits or state laws require, and seven believe that some records might be destroyed sooner than audits or legal requirements specify. One company with a large filing problem reported that records which should be kept 10 years to satisfy the statute of limitations are now destroyed after five years. In this case, the company has calculated that the maximum possible loss arising from not keeping the records after five years is only a small fraction of the storage or film cost that would otherwise be required.

17 Rules for Plain Letters

TO IMPROVE correspondence and paper work in federal agencies, the General Services Administration has produced a correspondents' manual which lays down 17 rules for better letters:

For shortness:

1. Don't make a habit of repeating what is said in a letter you answer.
2. Avoid needless words and needless information.
3. Beware of roundabout prepositional phrases, such as *with regard to* and *in reference to*.
4. Watch out for nouns and adjectives that derive from verbs. Use these words in their verb form more frequently.
5. Don't qualify your statements with irrelevant "ifs."

For simplicity:

6. Know your subject so well you can discuss it naturally and confidently.
7. Use short words, short sentences, and short paragraphs.
8. Be compact. Don't separate closely related parts of sentences.
9. Tie thoughts together so your reader can follow you from one to another without getting lost.

For strength:

10. Use specific, concrete words.
11. Use more active verbs.
12. Don't explain your answer before giving it. Give answers straightaway, then explain if necessary.
13. Don't hedge. Avoid expressions like *it appears*.

For sincerity:

14. Be human. Use words that stand for human beings, like the names of persons and the personal pronouns *you, he, she, we, and so on*.
15. Admit mistakes. Don't hide them behind meaningless words.
16. Don't overwhelm your reader with intensives and emphatics.
17. Do not be obsequious or arrogant. Strive to express yourself in a friendly way and with simple dignity.

The manual, which is entitled *Plain Letters*, is available at 30 cents per copy from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C.

—The Office 6/55

Strengthening the Foreman's Role in Management

SINCE the question of the foreman's management status began to receive serious attention from management a decade or so ago, a considerable change has undoubtedly taken place in the way foremen generally feel about their jobs. Evidence of this change is provided by findings of the Opinion Research Corp. (Princeton, N.J.), which reports on the basis of periodic surveys that the number of foremen who feel they are a part of management has risen from 59 per cent in 1946 to 69 per cent in 1954, while those who think of themselves as "more like workers" has dropped from 20 per cent to 13 per cent. Moreover, in many specific areas foreman satisfaction is on the upswing. For example, the foreman's satisfaction with his pay in relation to that of his workers is at an all-time high—85 per cent satisfied.

Today, however, the problem of the foreman's status, his effectiveness, his loyalty, and his attitudes continues to pose important challenges for management and personnel management people.

In recent years, rapid business growth and the expansion of firms have widened the distance, both physically and organizationally, between the foreman and top management. Whereas 50 or 70 years ago a production supervisor worked directly for and with the owner-manager, today he may be six or seven echelons removed. The rise of unionism, par-

ticularly during the 1930's, has divided employee loyalty, introduced parallel but competing leadership in the person of the union steward, and substituted the impersonal authority of contract clauses for the personal authority of the foreman. Meanwhile, the increasing use of staff specialists and technicians has brought important segments of the foreman's job under the close control of staff units.

Plainly, the basic problems at the foreman's level cannot be considered in a vacuum. They are unmistakably intertwined with unsolved problems at all other levels in the organization—among the workers he supervises and within the ranks of higher management. What specific steps can and should be taken to solve these problems? A full list would include all of the successful activities of a sound personnel program. However, the following six areas deserve special attention:

Starting at the top. We should begin to approach problems at the foreman's level, and all levels, by stimulating the full participation and follow-up of each successive level of management from the top down. This could mean, for example, (1) reversing the "open-door" policy, by having levels of management demonstrate by deeds their interest in the subject matter and problems of supervision through face-to-face contacts in the shop; (2) active management participation in conference and training

programs from the top down; (3) active management participation in the selection and induction of supervisors; (4) defining responsibilities and authority and determining patterns of delegation from the top down.

Defining responsibilities through follow-up. Written statements of responsibility are apt to suffer in two ways: They often fail to hold with the facts of life on the job, and they do not always clearly define the specific results expected. If we concentrate on defining, from the top down, the results we expect, and then follow up to help get those results, we may begin to see responsibilities defined on the job.

On-the-job participation. Many companies have taken steps to gain increased participation among management groups. But real participation stems from the on-the-job dealings between an individual and his direct-line superiors—up the line to the head of the organization. The manager who calls in his foremen—or the foreman who calls in his people—and says, "We've got a tough problem and I need your help," is probably doing more to promote a feeling of identity with management objectives than any formalized, off-the-job programs of participation.

Job enlargement and "staff-in-line" planning. As a result of specialization and subdivision of labor within management ranks, the area of duties left exclusively to the line supervisor has been shrinking.

—From an address by ROBERT L. GARDINER (Coordinator of Training and Development, Bigelow-Sanford Carpet Co.) before the 33rd Pacific Coast Management Conference of the California Personnel Management Association.

Regarding their voice on selecting men, 62 per cent of foremen polled in the Opinion Research Corp. surveys said they were "completely satisfied" in 1950. This dropped to 60 per cent in 1952, and to 57 per cent in 1954. Regarding their voice on transfers, and on firing, a very similar decline in supervisory satisfaction is shown during the years 1950-1954. We should therefore explore ways in which the line supervisor's job can be re-structured to provide real scope and authority by building back into line positions the responsibility for many of the functions which have been taken over by staff departments either by design or default.

All-level communication. We must intensify our efforts to form the habit of communicating within the line organization in order to gain the benefits of daily, two-way, face-to-face communication between subordinates, coordinates, and superiors at all levels. To accomplish this, management must do more "listening" and develop "listening" skills. Then people at the work level will be better able to understand and accept when management talks.

Selecting and building an efficient team. We should be certain that the factors upon which selection is based are, in fact, important for success in a supervisory position. We should apply a team concept of placement—consider which candidate will best complement the strengths and weaknesses of the departmental team of which he will become a part.

Do Your Packages Measure Up?

HOW DO YOU go about creating a better package for your product? Sales appeal is often a major consideration—but handling convenience counts with retailers and industrial users alike. Check your package score against the following pointers if you're —

—Selling to industry:

1. Proportions. Containers that are proper size for palletizing—to permit interlocking of containers on pallets.
2. Marking. Clear printing on all sides to identify product by name, size, grade, quantity, handling or storage instructions.
3. Protection. Packaging that will stand up with handling and stacking.
4. Size. Smaller, lighter containers to take up less space, facilitate disposal problem.

—Selling through supermarkets:

1. Proportions. Packages that take up least amount of shelf frontage and stack easily.
2. Marking. Space for price marking on exposed surface when carton is opened on the top.
3. Tear strips. To avoid cutting packages when opening cartons.
4. Coding. Easy-to-read coding to establish freshness of edibles.
5. Quantity. Volume of package clearly stated for customer, so choice can be made among varied sizes of same product.
6. Wrappings. Sturdy coverings to withstand abuse of shelf service.
7. Pilferage. Small items packaged to deter pilferage.

—Selling through variety stores:

1. Sales profits. Label packages to show the many uses of the product.
2. Handling. Design packages to stand up under customer handling.
3. Instructions. Brief but clearly understandable instructions.
4. Change. Do not stay with any package too long.
5. Size. Dimensions of the package should be determined by selling features—no larger than necessary to show main points of usage.
6. Combination. Card or package small items to keep them from being lost in maze of products on display.

—Sales Management 6/1/55

THE HISTORIC CHANGE in merchandising methods, from the twilight confusion of the old cracker barrel store to the disciplined brightness and order of the modern shopping center began when factories packed their first consumer units . . .

The container, the box, demonstrated that among its many advantages was that of being an advertisement. One of the most candid of these was printed on a corset box by a manufacturer who said: "I do not advise any woman to wear a corset, but if she *will* do so—and she generally will—I advise her to use one of Ball's Health Preserving Corsets as it is less likely to do her injury than any with which I am acquainted."

—GERALD CARSON in *The Old Country Store* (Oxford University Press, 1954)

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL MANAGEMENT

CAN MOSCOW MATCH US INDUSTRIALLY?

By Philip E. Mosely. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1955. \$2.00. A thoughtful analysis of the present strength of the Soviet economy and the Kremlin's apparent pattern of future growth. Though the Soviet challenge today is primarily military and political in its impact, it is buttressed, the author concludes, by a rapidly growing economy, and presents a more complex problem than any the American people have been called upon to face before.

BOX SCORE OF BUSINESS BIGNESS.

Fortune (9 Rockefeller Plaza, New York 20, N. Y.), July, 1955. \$1.25. Almost half the output of the U.S., or about one-quarter of the free world's total output of industrial goods, is produced by 500 corporations. In a special supplement accompanying this issue of *Fortune*, these 500 companies are listed in order of sales. Also included in the list are each company's assets, gross profits, net profits, number of stockholders and employees, and ranking within each category. The highlights of the figures revealed in this breakdown are discussed here.

EXECUTIVE CUE SHEET FOR PLANNING A MEETING.

By Richard Beckhardt and Aaron Feinsot. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), July 1, 1955. 50 cents. A "cue sheet" of all the elements involved in planning a meeting, from the initial objective to final evaluation and follow-up. A check list of the physical facilities to be borne in mind is appended.

THE AMERICAN GENIUS FOR PRODUCTIVITY.

By Gilbert Burck. *Fortune* (9 Rockefeller Plaza, New York 9, N. Y.), July, 1955. \$1.25. A penetrating analysis of the reasons why America produces so much more than other nations. These, the author holds, are the characteristic American way of looking at and doing things—the disregard for custom and tradition, the feeling

of equality and individualism, the boundless belief in progress, and the urge to success—coupled with the American genius for innovating, adapting, simplifying, and improving. These traditional traits, he believes, have been strengthened and matured by the very abundance they have created, and, barring atomic annihilation, will exert an incalculable influence on the world in the next half-century.

BUSINESS COMMUNICATION.

Steel (Penton Building, Cleveland, O.), May 16, 1955. Reprints gratis. Communicating is one job that cannot be delegated, say executives whose views are reported in this article. But the job can be made easier and more productive by improved techniques. Here the process of communication is analyzed; check lists and suggestions based on successful company practices are presented for effective conferences, telephone conversations, letters and memos, and informal business conversations.

WHAT MAKES AN EXECUTIVE?

By Paul Hencke. *Nation's Business* (U. S. Chamber Building, Washington 6, D.C.), June, 1955. 60 cents. To become a successful executive, a man must have strong, continuing drive; physical and emotional stamina; and the willingness to take risks and to make personal sacrifices. These findings are reported from a series of conferences of 17 leaders in business and public affairs, conducted by the Columbia University Graduate School of Business. Also given are the views of participants on how to find executive ability early, how to develop future executives, and how to evaluate their performance.

JUDGING THE EFFECTIVENESS OF ORGANIZATION.

By Alvin Brown. *Advanced Management* (74 Fifth Avenue, New York 11, N.Y.), Vol. XX, No. 1. \$1.00. Declaring that the character of its administration is the most important factor in determining whether a business enterprise will be suc-

cessful, the author analyzes eight common defects of administration, among which are failure to act, delay in acting, waste effort, and insufficient quality of effort. Some of these defects, the author finds, are due to faulty administrative method; most reflect defects of personnel; and only a few are uncontrollable.

WHO PAYS THE COST OF MANUFACTURING A.B.'s? By Devereux C. Josephs. Empire State Foundation of Independent Liberal Arts Colleges (11 West 42 Street, New York 36, N.Y.), May, 1955. Gratis (available from New York Life Insurance Com-

pany, 51 Madison Avenue, New York, N. Y.). In this address, originally delivered at the third annual dinner of the Empire State Foundation, Mr. Josephs points out that a new 1955 graduate equipped with a signed A.B. has cost someone \$7,500. In the state universities, this cost is largely borne by the taxpayers, but in the independent colleges, the revenue derived from tuition fees and scholarship funds must be supplemented by benefactions. The "manufacturing loss" sustained by the independent colleges might be made up, he suggests, through repayments by the employers of non-tax supported graduates.

INDUSTRIAL RELATIONS

LABOR BUILDS POLITICAL POWER. By Leo Wolman. *Nation's Business* (U.S. Chamber Building, Washington 6, D.C.), June, 1955. 60 cents. The forthcoming CIO-AFL merger is not likely to produce industrial peace, in the author's view. Rather, he predicts, it will free labor's energies to organize the unorganized worker and "to enhance union influence and power, political and economic." This article discusses labor's political aims, resources, and possible strategy.

POPULATION AND LABOR-FORCE TRENDS. Council for Technological Advancement (120 South La Salle Street, Chicago 3, Ill.), February, 1955. An analysis of the economic and social changes revealed in population and labor-force trends. Among the significant factors discussed are the decline in the death rate and the rising birth rate, the changing geographical distribution of the population, and the general trend away from the farm and mine to trade, service and manufacturing industries, and the professions.

THE PROBLEM DRINKER IN BUSINESS AND INDUSTRY. By John M. Clagett. *Industrial Relations Newsletter* (Department of Personnel and Industrial Relations, University of Denver, Denver, Colo.), Vol. VII, No. 3. Though the direct costs to industry of the alcoholic employee have been conservatively estimated at half a billion dollars a year, few companies have as yet shown any awareness of the magnitude of this problem, the author points out. Emphasizing that the skid-row or "lost week-end" type of alcoholic constitutes only a fraction of

the total alcoholic population, he summarizes what is currently known about the nature of alcoholism and the alcoholic personality, and describes three approaches to the problem—the Yale Plan Clinic, the Consolidated Edison Procedure on Alcoholism, and the Allis-Chalmers program—that have already achieved considerable success.

EVERYONE IS ON INCENTIVE. By Ford R. Larrabee. *Management Methods* (141 East 44 Street, New York 17, N. Y.), Vol. 7, No. 2. 50 cents. Here, the author gives an account of the workings of, and the results that have been obtained from, the nine incentive plans in use in his company, covering plant production workers, maintenance workers, foremen, department heads, clerical workers, sample and laboratory personnel, material waste control, sales division, and executives.

ESTIMATING THE COST OF A GUARANTEED WAGE PLAN. By S. Herbert Unterberger. *Labor Law Journal* (214 North Michigan Avenue, Chicago 1, Ill.), June, 1955, \$1.00. As analyzed by the author, the process of developing a reasonably accurate estimate of the cost of a GAW plan involves four basic steps: establishing the features of the plan; estimating probable employment fluctuations; determining gross costs; and deducting from these such offsets as unemployment compensation, earnings from other employment, and potential savings from reductions in labor turnover and possible increases in productivity due to improved morale.

OFFICE MANAGEMENT

TRAINING FOR OFFICE SUPERVISION. By Robert C. Chope. *The Office* (232 Madison Avenue, New York 16, N. Y.), June, 1955. 35 cents. To develop office supervisory personnel, we need to develop their knowledge, attitude, and skills, the author stresses. Here he discusses the implications of this threefold objective and describes the training program evolved by his own company with this aim in view.

HOW WE PLANNED FOR USE OF ELECTRONIC EQUIPMENT. By John S. White. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), June, 1955. 75 cents. Here the author describes the thinking behind the decision to install an electronic data-processing system at the Baton Rouge refinery of the Esso Standard Oil Company, and the preparations that are being made to insure that the machine will be fully utilized as soon as it is received.

THAT'S NOT WHAT I MEANT! By Helen Rougon. *The Office* (232 Madison Avenue, New York 16, N.Y.), July, 1955. 25 cents. A discussion of the functions of the office proofreader, or "checker." Pointing out that business communications are seldom the work of expert writers, the author suggests that the rigid limitations imposed

upon proofreaders in the printing and publishing industry are not applicable to offices, and that the checker's job description should be broad enough to authorize her to make minor revisions or corrections where they are obviously called for.

TAKING THE GAMBLE OUT OF MANAGEMENT DECISIONS. By Herbert O. Brayer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), June, 1955. 35 cents. The accelerated tempo of business today calls for a new approach to management reporting, says the author. Here he outlines the elements of a modern management reporting system, as exemplified in the practices of various major corporations.

APPLICATION OF ELECTRONIC TAPE-PROCESSING EQUIPMENT. By Fred Yeaple. *The Controller* (1 East 42 Street, New York 17, N. Y.), June, 1955. In addition to a detailed account of the electronic tape-processing system in operation at United Medical Service, Inc., New York, the author gives a step-by-step description of the way in which the equipment is applied to a specific function. The steps involved in the operation are illustrated by a series of charts.

PRODUCTION MANAGEMENT

YOUR YEAR TO CUT COSTS? By C. W. Nedderman. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), June, 1955. 50 cents. Here the author describes the "10-tool" cost-reduction program in use by his company. Of the 10 tools discussed, six—communications, supervisory training, new ideas, the objective program, the operating manual, and special committees—are concerned with organization, and the remaining four—purchase projects, labor cost controls, engineering, and quality controls, and methods improvement—with "action."

AUTOMATION—ADVANCES IN AUTOMATIC PRODUCTION. By Robert T. Collins. *Advanced Management* (74 Fifth Avenue, New York 11, N. Y.), May, 1955. \$1.00. Here the author explains what automation is, how it is applied, and the factors and

problems involved in applying it. He concludes with a forecast of the probable impact of automation on the national economy during the next few years.

WHEN TO RE-EQUIP. *Steel* (Penton Building, Cleveland 13, Ohio), June 20, 1955. 50 cents. A guide for re-equipment based on the Machinery and Allied Products Institute (MAPI) formula. The guide, presented in tabular form, offers a check list of items that go into a replacement decision and provides a "paperwork" answer. The accompanying text explains in detail how to make the calculations involved.

SAFETY FILMS. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), June, 1955. 75 cents. This special section on visual aids in safety training includes

practical articles on how to obtain maximum results from films used in training courses, and a comprehensive directory of over 1,000 motion pictures and slide-films for safety education in business and industry, on the farm, in homes, and on the streets and highways.

100 YEARS OF METALWORKING. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), June, 1955. \$2.00. The highlights of a century of progress in metalworking and metal production are presented in this 100th anniversary issue of *The Iron Age*. Divided into 14 sections, each covering a special branch of the industry, the survey provides both a record of the technological developments of the past 100 years and a preview of the techniques of tomorrow.

TIME FOR A TIME-UTILIZATION SURVEY? By Frank S. Macomber. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), May, 1955. 50

cents. A time-utilization survey will reveal how much maintenance time is not being utilized, help pre-plan maintenance jobs, and show where maintenance costs can be cut, sometimes as much as 35 per cent, the author declares. Here he describes two ways of making such a survey without making all-out time studies. A list showing 24 ways to eliminate time wastage in maintenance is provided.

PACKAGE TESTING TECHNIQUES. By E. H. Borkenhagen. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), Vol. 9, No. 12. 30 cents. A general discussion of the types of stress to which packages are subject, the laboratory techniques and equipment now available for package testing, and the areas where further research is indicated. In the latter connection, the author points out that much investigation still remains to be done on the amount and type of handling a package actually receives from the time it leaves the manufacturing facility until it arrives at its destination.

MARKETING AND SALES MANAGEMENT

THE PRODUCT AND THE BRAND. By Burleigh B. Gardner and Sidney J. Levy. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1955. \$2.00. Though quantitative research into consumer behavior can provide important and useful information, it can be misleading for a variety of reasons, the authors explain. Here they discuss the greater insight provided by motivation research into the consumer's conceptions of the product and the brand, and the use management can make of such findings.

SEVEN WAYS TO PEP UP YOUR MEETINGS. By E. H. Shanks. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), May, 1955. 35 cents. For those looking for ways and means of injecting new life into the old-style, sit-and-listen type of convention or sales meeting, the author here suggests seven techniques for securing thoroughgoing audience participation and livening up the proceedings generally.

WHAT IS YOUR AD DEPARTMENT ORGANIZED TO TURN OUT? By M. E. Ziegenhagen. *Printer's Ink* (205 East 42 Street, New York 17, N. Y.), June 24, 1955. 25 cents. Competition and expansion have intensified

the need to integrate promotion with selling, the author points out. From his study of a number of industrial advertising departments he explains how this integration can be achieved by reorganizing the department on a unit-responsibility basis instead of along the traditional functional lines.

16 WAYS TO SELL YOUR PRODUCT TO INDUSTRY BY MAIL. By Paul J. Bringe. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), June, 1955. 25 cents. A down-to-earth account of the methods used by a Milwaukee brush company to sell 75 per cent of its production to industrial companies by mail. Among the principles stressed by the author are the importance of telling the whole story in the mailing piece and the need for constant repetition of the sales message.

ASSIGNMENT: TRAIN 21,500 MEN FOR AUTHORITATIVE SALESMANSHIP. By Philip Paterson. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), July 1, 1955. 50 cents. A detailed account of the indoctrination program undertaken by the Prudential Insurance Company to train its 21,500 salesmen in selling individual sickness and accident policies.

FINANCIAL MANAGEMENT

FEDERAL TAX ISSUES IN 1955. Committee for Economic Development (444 Madison Avenue, New York 22, N.Y.), 1955. Gratis. Gradual tax reductions should be feasible next year and for some years to come, says the CED. In this study it urges careful federal planning and gives its recommendations for priorities in tax reductions and for reforms in the tax structure.

ACCOUNTING FOR RESEARCH AND DEVELOPMENT COSTS: *Research Series No. 29.* N.A.C.A. Bulletin (505 Park Avenue, New York 22, N. Y.), June, 1955, Section 3. 75 cents. This comprehensive survey of the problems arising in accounting for costs of company-operated research activities is based primarily on the practices of 35 participating companies. Aspects of the subject covered in the report include ascertaining the costs of research and development, planning and control of research and development costs, matching research and development costs with sales income, and the uses of accounting data in evaluating research.

PROS AND CONS OF LEASING EQUIPMENT. By Frank K. Griesinger. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1955. \$2.00. Shortage of working capital may hamper a company's capacity to replace or acquire the equipment needed to keep pace with competition. The advantages of leasing as an answer to this problem are thoroughly examined here, first from the standpoint of the equipment user, and second as a marketing aid to the equipment manufacturer.

HOW TO ESTIMATE THE COSTS OF FRINGE BENEFITS. By Moritz E. Papa. *Management Methods* (141 East 44 Street, New York 17, N. Y.), Volume 7, No. 4. 50 cents. Fringe benefits now represent a substantial portion of the cost of production, and unless their amount is known they can mean the difference between profit and loss, this author points out. He gives detailed calculations showing how in his own company, Consolidated Chemical Industries Inc., Pacific Division, benefits increased 101.3 per cent from 1941 to 1951.

INSURANCE MANAGEMENT

WHAT BUYERS SHOULD KNOW ABOUT OCEAN MARINE COVERAGES. By W. Irving Plitt. *The Weekly Underwriter* (116 John Street, New York 38, N.Y.), June 25, 1955. 25 cents. To determine that he is properly and fully protected at reasonable cost, the marine insurance buyer should know precisely what insurance conditions are in his policy and how far his commodity is susceptible to damage, the author points out. Here he discusses the types of coverage provided by the "All Risks" and Marine Extension clauses, as well as other aspects of the marine insurance contract.

REACTOR INSURANCE RISKS STILL UNSOLVED. By Herbert M. Bratter. *Public Utilities Fortnightly* (Munsey Building, Washington 4, D. C.), June 25, 1955. \$1.00. The commercial production of electric power from atomic fuels involves casualty hazards incomparably greater than any in past commercial experience: In the event of a plant

disaster, claims from the general public might reach fantastic proportions, but, so far, the insurance companies have not been willing or able to write insurance against this extraordinary risk, the author states here. He considers several problems involved in providing adequate insurance protection for the atomic power industry and outlines current thinking in this area.

SELF-INSURANCE. By Arthur Macaulay, Jr. *The National Insurance Buyer* (Hotel Martinique, New York, N. Y.), June, 1955. Gratis. Defining self-insurance as the election of a single economic interest to bear known risks of casual loss, the author discusses the principal reasons for setting up a self-insurance program, the type of analysis that should be undertaken to determine what risks may properly be self-insured, and the procedure for establishing the program that is decided upon.

Book Notes

[Please order books directly from publishers]

ORAL COMMUNICATION IN BUSINESS. By David C. Phillips. McGraw-Hill Book Company, Inc., New York, N.Y. 1955. 229 pages. \$3.75. In this practical handbook on the oral presentation of ideas, the author first outlines the basic principles of communication. He goes on to consider the specific problems involved in such familiar business situations as conferences, meetings, interviews, sales presentations, and radio and television talks. Suggestions for further reading are appended to each chapter.

COMMUNITY RELATIONS IN TEXAS INDUSTRY. By Stanley A. Arbingast et al. Bureau of Business Research, The University of Texas, Austin 12, Texas. 1955. 100 pages. \$1.00. The results of a survey of 741 Texas manufacturers to determine (1) how far they recognize the implications of good public and community relations; (2) the characteristics of their present community relations programs; and (3) the areas of public and community relations that call for further inquiry and development. The survey showed that only about 25 per cent of the companies surveyed are engaged in public relations activities on any planned, systematic basis.

THE LANGUAGE OF DYNAMIC PSYCHOLOGY AS RELATED TO MOTIVATION RESEARCH. By Joseph W. Wulfeck and Edward M. Bennett. McGraw-Hill Book Company, Inc., New York, 1954. 111 pages. \$4.00. This Advertising Research Foundation book clarifies and gives practical meaning to hundreds of key words and phrases used in dynamic psychology and motivation research. An interesting and useful glossary not only for those who are in the advertising field but for all executives. It provides both definitions of and comments on the numerous psychological terms that have crept into common usage but whose exact meaning is frequently unknown to the user.

PACKAGING ENGINEERING. By Louis C. Barail. Reinhold Publishing Corporation, 430 Park Avenue, New York 22, N.Y. 1954. 407 pages. \$9.50. An encyclopedic discussion of packaging materials, their best uses, and the methods employed by packaging engineers to obtain the most efficient results at minimum cost. Over 150 photographs, drawings and tables illustrate a wide range of valuable working information on types of containers, machinery, package design, protection against deterioration, labeling, testing, and all other design and engineering aspects of packaging.

EMPLOYEE RELATIONS HANDBOOK. Edited by John Cameron Aspley. The Dartnell Corporation, Chicago, Ill., 1955. 1,392 pages. \$12.50. An enlargement and rearrangement of the same editor's well-known *Industrial Relations Handbook*. Though still concerned with the maintenance of good employee relationships in industry, this entirely new edition has been expanded in scope to cover employee relations in retail trade, banks, insurance companies, publishing, real estate, chain stores, farming and the civil service.

MARKETING AND DISTRIBUTION RESEARCH. By Lyndon O. Brown. The Ronald Press Company, 15 East 26 Street, New York 10, N.Y. 1955. 561 pages. \$6.75. This third edition of a standard textbook, which has been completely revised and brought up to date, contains new chapters on sampling and a full discussion of the latest advances in motivation research, operations research, and other recently developed techniques in this area.

FIFTY YEARS OF TECHNICAL ASSISTANCE: Some Administrative Experiences of U. S. Voluntary Agencies. Public Administration Clearing House, 1313 East 60th Street, Chicago 37, Ill., 1954. 65 pages. \$1.50. This monograph summarizes the views of representatives of 31 American voluntary agencies with long experience in what is now known as technical assistance in less-developed countries. An expansion of a working paper contributed to a conference on the social aspects of technical assistance programs held in April, 1953, under the joint auspices of the United Nations and UNESCO, this helpful study covers the selection, personnel requirements, and operational aspects of such projects.

YOUR INSURANCE AND HOW TO PROFIT BY IT. By Michael H. Levy. Harcourt, Brace and Company, New York, 1955. 173 pages. \$2.95. A well-written non-technical handbook designed to help the "plain, ordinary, premium-paying customer" determine a sensible and comprehensive program for complete insurance coverage. In addition to answering the most common questions arising out of the purchase of life, accident and sickness, fire, theft, personal floater, automobile, and liability insurance, the author provides a useful glossary of insurance terms, and a checklist for evaluating a personal insurance program.

THE HUMAN ELEMENT IN INDUSTRIAL ACCIDENT PREVENTION. By John C. Larson et al. Center for Safety Education, New York University, New York 3, N.Y., 1955. 114 pages. \$2.00. A review and an analysis of over 200 studies of the behavioral causes of industrial accidents. Divided into two sections—hiring procedures and post-employment practices—it considers specific ways of using selection procedures, administrative policies, supervisory practices, and the techniques of improving morale and job satisfaction as the primary means of accident prevention. A critique of industrial accident research, a glossary of technical terms, and an extensive bibliography are appended.

APPRAISAL OF MANAGEMENT. Bureau of Business Management, College of Commerce and Business Administration, University of Illinois, Urbana, Ill. 1955. 61 pages. \$2.00. These proceedings of the Seventh Industrial Management Institute at the University of Illinois, held in November, 1954, include addresses on appraising executive effectiveness, the control of unemployment compensation costs, the future of fringe benefits, the role of operations research, incentives for middle management personnel, and automation as a tool for management.

BROADLOOMS AND BUSINESSMEN: A History of the Bigelow-Sanford Carpet Company. By John S. Ewing and Nancy P. Norton. Harvard University Press, Cambridge, Mass. 1955. 439 pages. \$9.00. This history of a carpet-making firm is also a survey of the origins and growth of an important American industry over the past 125 years. Its primary theme—the organization for management and the provision for management succession—is exemplified in a detailed history of the four important mergers of which the present company is the end product. The concluding chapters offer a tentative appraisal of the company's postwar diversification policy.

TARIFFS: THE CASE FOR PROTECTION. By Lewis E. Lloyd. The Devin-Adair Company, 23 East 26 Street, New York 10, N.Y. 1955. 207 pages. \$3.50. Basing his arguments on the findings of two years' research into the tariff issue, the author, head of business research for the Dow Chemical Company, advances the view that international free trade cannot operate successfully in the practical world of independent sovereign states. The current emphasis on tariffs, he asserts, has obscured the greater problem presented by the self-defeating economic practices of other nations. In a concluding chapter he sets forth what he considers to be the ingredients of a sound foreign trade program for the United States.

INTERNATIONAL LABOR DIRECTORY AND HANDBOOK, 1955. Edited by Jack Schuyler. Frederick A. Praeger, Inc., 105 West 40 Street, New York 18, N.Y. 1955. 1,043 pages. \$25.00. Completely revised and brought up to date, this second edition has been expanded to include detailed information on unions throughout the world, as well as those of the U.S. and Canada. A comprehensive survey of the present status of world labor is also provided.

PERSONNEL AND INDUSTRIAL PSYCHOLOGY. By Edwin E. Ghiselli and Clarence W. Brown. McGraw-Hill Book Company, Inc., New York, 1955. 492 pages. \$6.00. This second edition of a standard textbook contains new chapters on the selection and classification of workers and on social factors in industry. It also discusses such new techniques as the critical incident method and time sampling, and the new group interview and situation tests.

LABOR DISPUTES AND THEIR SETTLEMENT. By Kurt Brown. The Johns Hopkins Press, Baltimore, Md., 1955. 343 pages. \$6.00. An extensively revised and enlarged edition of the author's previous book, *Settlement of Industrial Disputes*. Provides both an analysis of the various types of conflicts in industrial relations and a comprehensive survey of the basic methods of adjusting them—mediation, arbitration, and labor litigation.

MOTIVATION RESEARCH: *Understanding Your Market*. By Hans A. Wolf et al. Motivation Research Associates, 341 Park Square Building, Boston 16, Mass. 1955. 80 pages. \$10.00. This research study conducted by a group of graduate students at the Harvard Business School evaluates the uses of motivation research in product design, packaging, advertising, marketing, and sales training. It also considers such problems of the future as the training of motivation research personnel and the improvements in techniques that will be necessitated by the application of motivation research to entirely new fields as time goes on. A bibliography of books and articles on the background, theory, and techniques of motivation research is provided.

MANUAL OF BUSINESS FORMS. By Wallace B. Sadauskas. Office Publications Company, 232 Madison Avenue, New York 16, N.Y. 1955. 194 pages. \$2.00. A comprehensive guide to the design and construction of business forms of every kind. Illustrated with nearly 100 charts, examples, and pictures, it describes the many different varieties of forms that are available today, from checks and accounting records to labels and price tags.

BEHAVIOR IN A SELLING GROUP. By George F. F. Lombard. Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass., 1955. 359 pages. \$4.00. A case study of interpersonal relations in a department store. Based on six months' observation of 20 salesgirls in one department, it describes their behavior toward one another and toward their customers and how this behavior was evaluated by the store executives. A training program, designed to overcome the problems uncovered by the study, is outlined.

CASES AND PROBLEMS IN PERSONNEL AND INDUSTRIAL RELATIONS. By Edgar G. Williams and John F. Mee. The Ronald Press Company, 15 East 26 Street, New York 10, N.Y. 1955. 204 pages. \$3.00. Designed to be used in conjunction with any standard textbook on personnel management and industrial relations, this collection of actual case histories offers a practical exercise in the solution of many of the problems encountered in personnel programming and research, recruitment, training and development, health and safety programs, employee relations, and most other aspects of personnel work.

Publications Received

[Please order directly from publishers]

THE POLITICAL ECONOMY OF AMERICAN FOREIGN POLICY: Its Concepts, Strategy, and Limits. Report of a Study Group sponsored by the Woodrow Wilson Foundation and The National Planning Association. Henry Holt and Company, New York, 1955. 414 pages. \$4.50.

THE INSURANCE ALMANAC: An Annual of Insurance Facts. Compiled by *The Weekly Underwriter*. The Underwriter Printing and Publishing Co., 116 John Street, New York 38, N.Y. 1955. 1058 pages. \$5.00.

ECONOMIC ACCOUNTING: A Textbook in Accounting Principles for Students of Economics and the Liberal Arts. By John P. Powelson. McGraw-Hill Book Company, Inc., New York, 1955. 500 pages. \$7.50.

THEORY AND PRACTICE OF PSYCHOLOGICAL TESTING. By Frank S. Freeman. Henry Holt and Company, New York, 1955. Revised Edition. 609 pages. \$5.25.

THE BUSINESS ENTERPRISE AS A SUBJECT FOR RESEARCH. Prepared for the Committee on Business Enterprise Research by Howard R. Bowen. Social Science Research Council, 230 Park Avenue, New York 17, N.Y. 1955. 103 pages. \$1.25.

SPONSORED RESEARCH POLICY OF COLLEGES AND UNIVERSITIES: A Report of the Committee on Institutional Research Policy. Foreword by Arthur S. Adams. American Council on Education, Washington, D.C. 1954. 95 pages. \$1.50.

DEVELOPING MANAGEMENT POTENTIAL THROUGH APPRAISAL PANELS. Prepared by Raymond L. Randall. Published by U.S. Civil Service Commission. For sale by Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. 1955. 15 pages. 15 cents.

FINANCING BUSINESS FIRMS. By Charles L. Prather. Richard D. Irwin, Inc., Homewood, Ill. 1955. 569 pages. \$6.00.

STATES RIGHTS AND THE LAW OF LABOR RELATIONS. By Gerard D. Reilly. American Enterprise Association, Inc., 1012 14th Street, N.W., Washington 5, D.C. 1955. 35 pages. \$1.00.

WAGES, HOURS AND WORKING CONDITIONS IN SELECTED MISCELLANEOUS PERSONAL SERVICE INDUSTRIES, 1953. Prepared by Elizabeth Kadish. Division of Research and Statistics, State of New York, Department of Labor, 80 Centre Street, New York 13, N.Y. 1955. 79 pages. Gratis.

AMERICAN SOCIAL INSURANCE. By Domenico Gagliardo. Harper & Brothers, New York, 1955. Revised edition. 672 pages. \$6.00.

PATENT LAW IN THE RESEARCH LABORATORY. By John Kenneth Wise. Reinhold Publishing Corporation, 430 Park Avenue, New York 22, N.Y. 1955. 145 pages. \$2.95.

PERSONNEL MANAGEMENT: A Human Relations Approach. By William H. Knowles. American Book Company, 55 Fifth Avenue, New York 3, N.Y. 1955. 488 pages. \$4.50.

INDEX TO FEDERAL RECORD KEEPING REQUIREMENTS. Technical Information Service, National Records Management Council, Inc., 555 Fifth Avenue, New York 17, N.Y. 1955. 32 pages. \$2.00.

RECENT TRENDS IN OCCUPATIONAL MOBILITY. By Natalie Rogoff. The Free Press, Glencoe, Ill. 1953. 132 pages. \$4.00.

INTRODUCTION TO BUSINESS. By Michael J. Jucius, Elmore Petersen, and George R. Terry. Richard D. Irwin, Inc., Homewood, Ill. 1955. 675 pages. \$6.00.

INSURANCE: Its Theory and Practice in the United States. By Albert H. Mowbray and Ralph H. Blanchard. McGraw-Hill Book Company, Inc., New York, 1955. 569 pages. \$6.00.

THE DYNAMICS OF BUREAUCRACY: A Study of Interpersonal Relations in Two Government Agencies. By Peter M. Blau. The University of Chicago Press, Chicago 37, Ill. 1955. 269 pages. \$5.00.

AMERICAN INDUSTRIES. By Stanley Vance. Prentice-Hall, Inc., New York, N.Y. 1955. 626 pages. \$8.65.

INTRODUCTION TO MODERN BUSINESS. By Hilton D. Shepherd, Vernon A. Musselman, and Eugene H. Hughes. Prentice-Hall, Inc., New York, 1955. Second Edition. 535 pages. \$7.35.

CURRENT BUSINESS STUDIES — Mergers and Competition: Recent Developments. Society of Business Advisory Professions, Inc., Gallatin House, 6 Washington Square North, New York 3, N.Y. 1954. 39 pages. \$1.50.

COLLECTIVE BARGAINING IN THE MOTION PICTURE INDUSTRY: A Struggle for Stability. By Hugh Lowell and Tasile Carter. Institute of Industrial Relations, 201 California Hall, University of California, Berkeley 4, Calif. 1955. 54 pages. 50 cents.

INCENTIVE WAGE SYSTEMS: A Selected Annotated Bibliography. Prepared by Martin Horowitz. Industrial Relations Section, Department of Economics and Sociology, Princeton University, Princeton, N.J. 1955. Revised Edition. 24 pages. 50 cents.

THE DEFENSE MATERIALS SYSTEM IN OUR AMERICAN INDUSTRY. Published by the Business and Defense Services Administration, U.S. Department of Commerce. For sale by Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C., and Department of Commerce field offices. 1955. 41 pages. 25 cents.

UNITED STATES BUSINESS PERFORMANCE ABROAD: The Case Study of The Philippine American Life Insurance Company. By John Lindeman, with the collaboration of Natty Osorio Aguinaldo. National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D.C. 1955. 94 pages. \$1.00.

THE GUARANTEED ANNUAL WAGE AND BUSINESS STABILIZATION: A Bibliography. Selected by Henry C. Thole and Charles C. Gibbons. The W. E. Upjohn Institute for Community Research, 709 South Westnedge Street, Kalamazoo, Mich. 1955. 24 pages. Gratis.

BRADFORD'S DIRECTORY OF MARKETING RESEARCH AGENCIES IN THE UNITED STATES AND THE WORLD. By Dr. Ernest S. Bradford. 50 Argyle Avenue, New Rochelle, N.Y. 1955. Sixth Edition. 119 pages. \$6.00.

ACCOUNTING SYSTEMS: Installation and Procedures. By John J. W. Neuner and Ulrich J. Neuner. International Textbook Company, Scranton, Penna. 1955. Second Edition. 508 pages. \$7.50.

BUSINESS LETTER WRITING AT-A-GLANCE. By George M. Peterson. I. and M. Ottenheimer, 23 South Howard Street, Baltimore 1, Md. 1954. 62 pages. \$1.00.

REGULATING BUSINESS BY INDEPENDENT COMMISSION. By Marver H. Bernstein. Princeton University Press, Princeton, N.J. 1955. 306 pages. \$5.00.

CO-OPERATIVES: The British Achievement. By Paul Greer. Harper & Brothers, New York, 1955. 172 pages. \$3.00.

AN INTRODUCTORY SURVEY OF BUSINESS MANAGEMENT. By Gilbert W. Cooke and B. L. Pierce. William C. Brown Company, Dubuque, Iowa. 1955. 401 pages. \$4.75.

WHERE TO FIND VOCATIONAL TRAINING IN NEW YORK CITY: A Directory. Vocational Advisory Service, 432 Fourth Avenue, New York 16, N.Y. 1954. 208 pages. \$3.50.

FIRE CONTROL: Its Equipment, Personnel, Procedure. Published by the Accident Prevention Department, Association of Casualty and Surety Companies, 60 John Street, New York 38, N.Y. 1955. 30 pages. 20 cents.

INTRODUCTION TO THE STUDY OF PUBLIC ADMINISTRATION. By Leonard D. White. The Macmillan Company, New York, 1954. Fourth Edition. 531 pages. \$5.75.

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